

1 AN ACT concerning taxes.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Illinois Income Tax Act is amended by
5 changing Sections 201 and 211 as follows:

6 (35 ILCS 5/201) (from Ch. 120, par. 2-201)

7 Sec. 201. Tax Imposed.

8 (a) In general. A tax measured by net income is hereby
9 imposed on every individual, corporation, trust and estate
10 for each taxable year ending after July 31, 1969 on the
11 privilege of earning or receiving income in or as a resident
12 of this State. Such tax shall be in addition to all other
13 occupation or privilege taxes imposed by this State or by any
14 municipal corporation or political subdivision thereof.

15 (b) Rates. The tax imposed by subsection (a) of this
16 Section shall be determined as follows, except as adjusted by
17 subsection (d-1):

18 (1) In the case of an individual, trust or estate,
19 for taxable years ending prior to July 1, 1989, an amount
20 equal to 2 1/2% of the taxpayer's net income for the
21 taxable year.

22 (2) In the case of an individual, trust or estate,
23 for taxable years beginning prior to July 1, 1989 and
24 ending after June 30, 1989, an amount equal to the sum of
25 (i) 2 1/2% of the taxpayer's net income for the period
26 prior to July 1, 1989, as calculated under Section 202.3,
27 and (ii) 3% of the taxpayer's net income for the period
28 after June 30, 1989, as calculated under Section 202.3.

29 (3) In the case of an individual, trust or estate,
30 for taxable years beginning after June 30, 1989, an
31 amount equal to 3% of the taxpayer's net income for the

1 taxable year.

2 (4) (Blank).

3 (5) (Blank).

4 (6) In the case of a corporation, for taxable years
5 ending prior to July 1, 1989, an amount equal to 4% of
6 the taxpayer's net income for the taxable year.

7 (7) In the case of a corporation, for taxable years
8 beginning prior to July 1, 1989 and ending after June 30,
9 1989, an amount equal to the sum of (i) 4% of the
10 taxpayer's net income for the period prior to July 1,
11 1989, as calculated under Section 202.3, and (ii) 4.8% of
12 the taxpayer's net income for the period after June 30,
13 1989, as calculated under Section 202.3.

14 (8) In the case of a corporation, for taxable years
15 beginning after June 30, 1989, an amount equal to 4.8% of
16 the taxpayer's net income for the taxable year.

17 (c) Personal Property Tax Replacement Income Tax.
18 Beginning on July 1, 1979 and thereafter, in addition to such
19 income tax, there is also hereby imposed the Personal
20 Property Tax Replacement Income Tax measured by net income on
21 every corporation (including Subchapter S corporations),
22 partnership and trust, for each taxable year ending after
23 June 30, 1979. Such taxes are imposed on the privilege of
24 earning or receiving income in or as a resident of this
25 State. The Personal Property Tax Replacement Income Tax
26 shall be in addition to the income tax imposed by subsections
27 (a) and (b) of this Section and in addition to all other
28 occupation or privilege taxes imposed by this State or by any
29 municipal corporation or political subdivision thereof.

30 (d) Additional Personal Property Tax Replacement Income
31 Tax Rates. The personal property tax replacement income tax
32 imposed by this subsection and subsection (c) of this Section
33 in the case of a corporation, other than a Subchapter S
34 corporation and except as adjusted by subsection (d-1), shall

1 be an additional amount equal to 2.85% of such taxpayer's net
2 income for the taxable year, except that beginning on January
3 1, 1981, and thereafter, the rate of 2.85% specified in this
4 subsection shall be reduced to 2.5%, and in the case of a
5 partnership, trust or a Subchapter S corporation shall be an
6 additional amount equal to 1.5% of such taxpayer's net income
7 for the taxable year.

8 (d-1) Rate reduction for certain foreign insurers. This
9 subsection (d-1) applies to taxable years ending on or before
10 June 30, 2005. In the case of a foreign insurer, as defined
11 by Section 35A-5 of the Illinois Insurance Code, whose state
12 or country of domicile imposes on insurers domiciled in
13 Illinois a retaliatory tax (excluding any insurer whose
14 premiums from reinsurance assumed are 50% or more of its
15 total insurance premiums as determined under paragraph (2) of
16 subsection (b) of Section 304, except that for purposes of
17 this determination premiums from reinsurance do not include
18 premiums from inter-affiliate reinsurance arrangements),
19 beginning with taxable years ending on or after December 31,
20 1999, the sum of the rates of tax imposed by subsections (b)
21 and (d) shall be reduced (but not increased) to the rate at
22 which the total amount of tax imposed under this Act, net of
23 all credits allowed under this Act, shall equal (i) the total
24 amount of tax that would be imposed on the foreign insurer's
25 net income allocable to Illinois for the taxable year by such
26 foreign insurer's state or country of domicile if that net
27 income were subject to all income taxes and taxes measured by
28 net income imposed by such foreign insurer's state or country
29 of domicile, net of all credits allowed or (ii) a rate of
30 zero if no such tax is imposed on such income by the foreign
31 insurer's state of domicile. For the purposes of this
32 subsection (d-1), an inter-affiliate includes a mutual
33 insurer under common management.

34 (1) For the purposes of subsection (d-1), in no

1 event shall the sum of the rates of tax imposed by
2 subsections (b) and (d) be reduced below the rate at
3 which the sum of:

4 (A) the total amount of tax imposed on such
5 foreign insurer under this Act for a taxable year,
6 net of all credits allowed under this Act, plus

7 (B) the privilege tax imposed by Section 409
8 of the Illinois Insurance Code, the fire insurance
9 company tax imposed by Section 12 of the Fire
10 Investigation Act, and the fire department taxes
11 imposed under Section 11-10-1 of the Illinois
12 Municipal Code,

13 equals 1.25% of the net taxable premiums written for the
14 taxable year, as described by subsection (1) of Section
15 409 of the Illinois Insurance Code. This paragraph will
16 in no event increase the rates imposed under subsections
17 (b) and (d).

18 (2) Any reduction in the rates of tax imposed by
19 this subsection shall be applied first against the rates
20 imposed by subsection (b) and only after the tax imposed
21 by subsection (a) net of all credits allowed under this
22 Section other than the credit allowed under subsection
23 (i) has been reduced to zero, against the rates imposed
24 by subsection (d).

25 ~~This--subsection--(d-1)--is-exempt-from-the-provisions-of~~
26 ~~Section-250-~~

27 (e) Investment credit. A taxpayer shall be allowed a
28 credit against the Personal Property Tax Replacement Income
29 Tax for investment in qualified property.

30 (1) A taxpayer shall be allowed a credit equal to
31 .5% of the basis of qualified property placed in service
32 during the taxable year, provided such property is placed
33 in service on or after July 1, 1984. There shall be
34 allowed an additional credit equal to .5% of the basis of

1 qualified property placed in service during the taxable
2 year, provided such property is placed in service on or
3 after July 1, 1986, and the taxpayer's base employment
4 within Illinois has increased by 1% or more over the
5 preceding year as determined by the taxpayer's employment
6 records filed with the Illinois Department of Employment
7 Security. Taxpayers who are new to Illinois shall be
8 deemed to have met the 1% growth in base employment for
9 the first year in which they file employment records with
10 the Illinois Department of Employment Security. The
11 provisions added to this Section by Public Act 85-1200
12 (and restored by Public Act 87-895) shall be construed as
13 declaratory of existing law and not as a new enactment.
14 If, in any year, the increase in base employment within
15 Illinois over the preceding year is less than 1%, the
16 additional credit shall be limited to that percentage
17 times a fraction, the numerator of which is .5% and the
18 denominator of which is 1%, but shall not exceed .5%.
19 The investment credit shall not be allowed to the extent
20 that it would reduce a taxpayer's liability in any tax
21 year below zero, nor may any credit for qualified
22 property be allowed for any year other than the year in
23 which the property was placed in service in Illinois. For
24 tax years ending on or after December 31, 1987, and on or
25 before December 31, 1988, the credit shall be allowed for
26 the tax year in which the property is placed in service,
27 or, if the amount of the credit exceeds the tax liability
28 for that year, whether it exceeds the original liability
29 or the liability as later amended, such excess may be
30 carried forward and applied to the tax liability of the 5
31 taxable years following the excess credit years if the
32 taxpayer (i) makes investments which cause the creation
33 of a minimum of 2,000 full-time equivalent jobs in
34 Illinois, (ii) is located in an enterprise zone

1 established pursuant to the Illinois Enterprise Zone Act
2 and (iii) is certified by the Department of Commerce and
3 Community Affairs as complying with the requirements
4 specified in clause (i) and (ii) by July 1, 1986. The
5 Department of Commerce and Community Affairs shall notify
6 the Department of Revenue of all such certifications
7 immediately. For tax years ending after December 31,
8 1988, the credit shall be allowed for the tax year in
9 which the property is placed in service, or, if the
10 amount of the credit exceeds the tax liability for that
11 year, whether it exceeds the original liability or the
12 liability as later amended, such excess may be carried
13 forward and applied to the tax liability of the 5 taxable
14 years following the excess credit years. The credit shall
15 be applied to the earliest year for which there is a
16 liability. If there is credit from more than one tax year
17 that is available to offset a liability, earlier credit
18 shall be applied first.

19 (2) The term "qualified property" means property
20 which:

21 (A) is tangible, whether new or used,
22 including buildings and structural components of
23 buildings and signs that are real property, but not
24 including land or improvements to real property that
25 are not a structural component of a building such as
26 landscaping, sewer lines, local access roads,
27 fencing, parking lots, and other appurtenances;

28 (B) is depreciable pursuant to Section 167 of
29 the Internal Revenue Code, except that "3-year
30 property" as defined in Section 168(c)(2)(A) of that
31 Code is not eligible for the credit provided by this
32 subsection (e);

33 (C) is acquired by purchase as defined in
34 Section 179(d) of the Internal Revenue Code;

1 (D) is used in Illinois by a taxpayer who is
2 primarily engaged in manufacturing, or in mining
3 coal or fluorite, or in retailing; and

4 (E) has not previously been used in Illinois
5 in such a manner and by such a person as would
6 qualify for the credit provided by this subsection
7 (e) or subsection (f).

8 (3) For purposes of this subsection (e),
9 "manufacturing" means the material staging and production
10 of tangible personal property by procedures commonly
11 regarded as manufacturing, processing, fabrication, or
12 assembling which changes some existing material into new
13 shapes, new qualities, or new combinations. For purposes
14 of this subsection (e) the term "mining" shall have the
15 same meaning as the term "mining" in Section 613(c) of
16 the Internal Revenue Code. For purposes of this
17 subsection (e), the term "retailing" means the sale of
18 tangible personal property or services rendered in
19 conjunction with the sale of tangible consumer goods or
20 commodities.

21 (4) The basis of qualified property shall be the
22 basis used to compute the depreciation deduction for
23 federal income tax purposes.

24 (5) If the basis of the property for federal income
25 tax depreciation purposes is increased after it has been
26 placed in service in Illinois by the taxpayer, the amount
27 of such increase shall be deemed property placed in
28 service on the date of such increase in basis.

29 (6) The term "placed in service" shall have the
30 same meaning as under Section 46 of the Internal Revenue
31 Code.

32 (7) If during any taxable year, any property ceases
33 to be qualified property in the hands of the taxpayer
34 within 48 months after being placed in service, or the

1 situs of any qualified property is moved outside Illinois
2 within 48 months after being placed in service, the
3 Personal Property Tax Replacement Income Tax for such
4 taxable year shall be increased. Such increase shall be
5 determined by (i) recomputing the investment credit which
6 would have been allowed for the year in which credit for
7 such property was originally allowed by eliminating such
8 property from such computation and, (ii) subtracting such
9 recomputed credit from the amount of credit previously
10 allowed. For the purposes of this paragraph (7), a
11 reduction of the basis of qualified property resulting
12 from a redetermination of the purchase price shall be
13 deemed a disposition of qualified property to the extent
14 of such reduction.

15 (8) Unless the investment credit is extended by
16 law, the basis of qualified property shall not include
17 costs incurred after December 31, 2003, except for costs
18 incurred pursuant to a binding contract entered into on
19 or before December 31, 2003.

20 (9) Each taxable year ending before December 31,
21 2000, a partnership may elect to pass through to its
22 partners the credits to which the partnership is entitled
23 under this subsection (e) for the taxable year. A
24 partner may use the credit allocated to him or her under
25 this paragraph only against the tax imposed in
26 subsections (c) and (d) of this Section. If the
27 partnership makes that election, those credits shall be
28 allocated among the partners in the partnership in
29 accordance with the rules set forth in Section 704(b) of
30 the Internal Revenue Code, and the rules promulgated
31 under that Section, and the allocated amount of the
32 credits shall be allowed to the partners for that taxable
33 year. The partnership shall make this election on its
34 Personal Property Tax Replacement Income Tax return for

1 that taxable year. The election to pass through the
2 credits shall be irrevocable.

3 For taxable years ending on or after December 31,
4 2000, a partner that qualifies its partnership for a
5 subtraction under subparagraph (I) of paragraph (2) of
6 subsection (d) of Section 203 or a shareholder that
7 qualifies a Subchapter S corporation for a subtraction
8 under subparagraph (S) of paragraph (2) of subsection (b)
9 of Section 203 shall be allowed a credit under this
10 subsection (e) equal to its share of the credit earned
11 under this subsection (e) during the taxable year by the
12 partnership or Subchapter S corporation, determined in
13 accordance with the determination of income and
14 distributive share of income under Sections 702 and 704
15 and Subchapter S of the Internal Revenue Code. This
16 paragraph is exempt from the provisions of Section 250.

17 (f) Investment credit; Enterprise Zone.

18 (1) A taxpayer shall be allowed a credit against
19 the tax imposed by subsections (a) and (b) of this
20 Section for investment in qualified property which is
21 placed in service in an Enterprise Zone created pursuant
22 to the Illinois Enterprise Zone Act. For partners,
23 shareholders of Subchapter S corporations, and owners of
24 limited liability companies, if the liability company is
25 treated as a partnership for purposes of federal and
26 State income taxation, there shall be allowed a credit
27 under this subsection (f) to be determined in accordance
28 with the determination of income and distributive share
29 of income under Sections 702 and 704 and Subchapter S of
30 the Internal Revenue Code. The credit shall be .5% of
31 the basis for such property. The credit shall be
32 available only in the taxable year in which the property
33 is placed in service in the Enterprise Zone and shall not
34 be allowed to the extent that it would reduce a

1 taxpayer's liability for the tax imposed by subsections
2 (a) and (b) of this Section to below zero. For tax years
3 ending on or after December 31, 1985, the credit shall be
4 allowed for the tax year in which the property is placed
5 in service, or, if the amount of the credit exceeds the
6 tax liability for that year, whether it exceeds the
7 original liability or the liability as later amended,
8 such excess may be carried forward and applied to the tax
9 liability of the 5 taxable years following the excess
10 credit year. The credit shall be applied to the earliest
11 year for which there is a liability. If there is credit
12 from more than one tax year that is available to offset a
13 liability, the credit accruing first in time shall be
14 applied first.

15 (2) The term qualified property means property
16 which:

17 (A) is tangible, whether new or used,
18 including buildings and structural components of
19 buildings;

20 (B) is depreciable pursuant to Section 167 of
21 the Internal Revenue Code, except that "3-year
22 property" as defined in Section 168(c)(2)(A) of that
23 Code is not eligible for the credit provided by this
24 subsection (f);

25 (C) is acquired by purchase as defined in
26 Section 179(d) of the Internal Revenue Code;

27 (D) is used in the Enterprise Zone by the
28 taxpayer; and

29 (E) has not been previously used in Illinois
30 in such a manner and by such a person as would
31 qualify for the credit provided by this subsection
32 (f) or subsection (e).

33 (3) The basis of qualified property shall be the
34 basis used to compute the depreciation deduction for

1 federal income tax purposes.

2 (4) If the basis of the property for federal income
3 tax depreciation purposes is increased after it has been
4 placed in service in the Enterprise Zone by the taxpayer,
5 the amount of such increase shall be deemed property
6 placed in service on the date of such increase in basis.

7 (5) The term "placed in service" shall have the
8 same meaning as under Section 46 of the Internal Revenue
9 Code.

10 (6) If during any taxable year, any property ceases
11 to be qualified property in the hands of the taxpayer
12 within 48 months after being placed in service, or the
13 situs of any qualified property is moved outside the
14 Enterprise Zone within 48 months after being placed in
15 service, the tax imposed under subsections (a) and (b) of
16 this Section for such taxable year shall be increased.
17 Such increase shall be determined by (i) recomputing the
18 investment credit which would have been allowed for the
19 year in which credit for such property was originally
20 allowed by eliminating such property from such
21 computation, and (ii) subtracting such recomputed credit
22 from the amount of credit previously allowed. For the
23 purposes of this paragraph (6), a reduction of the basis
24 of qualified property resulting from a redetermination of
25 the purchase price shall be deemed a disposition of
26 qualified property to the extent of such reduction.

27 (g) Jobs Tax Credit; Enterprise Zone and Foreign Trade
28 Zone or Sub-Zone.

29 (1) A taxpayer conducting a trade or business in an
30 enterprise zone or a High Impact Business designated by
31 the Department of Commerce and Community Affairs
32 conducting a trade or business in a federally designated
33 Foreign Trade Zone or Sub-Zone shall be allowed a credit
34 against the tax imposed by subsections (a) and (b) of

1 this Section in the amount of \$500 per eligible employee
2 hired to work in the zone during the taxable year.

3 (2) To qualify for the credit:

4 (A) the taxpayer must hire 5 or more eligible
5 employees to work in an enterprise zone or federally
6 designated Foreign Trade Zone or Sub-Zone during the
7 taxable year;

8 (B) the taxpayer's total employment within the
9 enterprise zone or federally designated Foreign
10 Trade Zone or Sub-Zone must increase by 5 or more
11 full-time employees beyond the total employed in
12 that zone at the end of the previous tax year for
13 which a jobs tax credit under this Section was
14 taken, or beyond the total employed by the taxpayer
15 as of December 31, 1985, whichever is later; and

16 (C) the eligible employees must be employed
17 180 consecutive days in order to be deemed hired for
18 purposes of this subsection.

19 (3) An "eligible employee" means an employee who
20 is:

21 (A) Certified by the Department of Commerce
22 and Community Affairs as "eligible for services"
23 pursuant to regulations promulgated in accordance
24 with Title II of the Job Training Partnership Act,
25 Training Services for the Disadvantaged or Title III
26 of the Job Training Partnership Act, Employment and
27 Training Assistance for Dislocated Workers Program.

28 (B) Hired after the enterprise zone or
29 federally designated Foreign Trade Zone or Sub-Zone
30 was designated or the trade or business was located
31 in that zone, whichever is later.

32 (C) Employed in the enterprise zone or Foreign
33 Trade Zone or Sub-Zone. An employee is employed in
34 an enterprise zone or federally designated Foreign

1 Trade Zone or Sub-Zone if his services are rendered
2 there or it is the base of operations for the
3 services performed.

4 (D) A full-time employee working 30 or more
5 hours per week.

6 (4) For tax years ending on or after December 31,
7 1985 and prior to December 31, 1988, the credit shall be
8 allowed for the tax year in which the eligible employees
9 are hired. For tax years ending on or after December 31,
10 1988, the credit shall be allowed for the tax year
11 immediately following the tax year in which the eligible
12 employees are hired. If the amount of the credit exceeds
13 the tax liability for that year, whether it exceeds the
14 original liability or the liability as later amended,
15 such excess may be carried forward and applied to the tax
16 liability of the 5 taxable years following the excess
17 credit year. The credit shall be applied to the earliest
18 year for which there is a liability. If there is credit
19 from more than one tax year that is available to offset a
20 liability, earlier credit shall be applied first.

21 (5) The Department of Revenue shall promulgate such
22 rules and regulations as may be deemed necessary to carry
23 out the purposes of this subsection (g).

24 (6) The credit shall be available for eligible
25 employees hired on or after January 1, 1986.

26 (h) Investment credit; High Impact Business.

27 (1) Subject to subsections (b) and (b-5) of Section
28 5.5 of the Illinois Enterprise Zone Act, a taxpayer shall
29 be allowed a credit against the tax imposed by
30 subsections (a) and (b) of this Section for investment in
31 qualified property which is placed in service by a
32 Department of Commerce and Community Affairs designated
33 High Impact Business. The credit shall be .5% of the
34 basis for such property. The credit shall not be

1 available (i) until the minimum investments in qualified
2 property set forth in subdivision (a)(3)(A) of Section
3 5.5 of the Illinois Enterprise Zone Act have been
4 satisfied or (ii) until the time authorized in subsection
5 (b-5) of the Illinois Enterprise Zone Act for entities
6 designated as High Impact Businesses under subdivisions
7 (a)(3)(B), (a)(3)(C), and (a)(3)(D) of Section 5.5 of the
8 Illinois Enterprise Zone Act, and shall not be allowed to
9 the extent that it would reduce a taxpayer's liability
10 for the tax imposed by subsections (a) and (b) of this
11 Section to below zero. The credit applicable to such
12 investments shall be taken in the taxable year in which
13 such investments have been completed. The credit for
14 additional investments beyond the minimum investment by a
15 designated high impact business authorized under
16 subdivision (a)(3)(A) of Section 5.5 of the Illinois
17 Enterprise Zone Act shall be available only in the
18 taxable year in which the property is placed in service
19 and shall not be allowed to the extent that it would
20 reduce a taxpayer's liability for the tax imposed by
21 subsections (a) and (b) of this Section to below zero.
22 For tax years ending on or after December 31, 1987, the
23 credit shall be allowed for the tax year in which the
24 property is placed in service, or, if the amount of the
25 credit exceeds the tax liability for that year, whether
26 it exceeds the original liability or the liability as
27 later amended, such excess may be carried forward and
28 applied to the tax liability of the 5 taxable years
29 following the excess credit year. The credit shall be
30 applied to the earliest year for which there is a
31 liability. If there is credit from more than one tax
32 year that is available to offset a liability, the credit
33 accruing first in time shall be applied first.

34 Changes made in this subdivision (h)(1) by Public

1 Act 88-670 restore changes made by Public Act 85-1182 and
2 reflect existing law.

3 (2) The term qualified property means property
4 which:

5 (A) is tangible, whether new or used,
6 including buildings and structural components of
7 buildings;

8 (B) is depreciable pursuant to Section 167 of
9 the Internal Revenue Code, except that "3-year
10 property" as defined in Section 168(c)(2)(A) of that
11 Code is not eligible for the credit provided by this
12 subsection (h);

13 (C) is acquired by purchase as defined in
14 Section 179(d) of the Internal Revenue Code; and

15 (D) is not eligible for the Enterprise Zone
16 Investment Credit provided by subsection (f) of this
17 Section.

18 (3) The basis of qualified property shall be the
19 basis used to compute the depreciation deduction for
20 federal income tax purposes.

21 (4) If the basis of the property for federal income
22 tax depreciation purposes is increased after it has been
23 placed in service in a federally designated Foreign Trade
24 Zone or Sub-Zone located in Illinois by the taxpayer, the
25 amount of such increase shall be deemed property placed
26 in service on the date of such increase in basis.

27 (5) The term "placed in service" shall have the
28 same meaning as under Section 46 of the Internal Revenue
29 Code.

30 (6) If during any taxable year ending on or before
31 December 31, 1996, any property ceases to be qualified
32 property in the hands of the taxpayer within 48 months
33 after being placed in service, or the situs of any
34 qualified property is moved outside Illinois within 48

1 months after being placed in service, the tax imposed
2 under subsections (a) and (b) of this Section for such
3 taxable year shall be increased. Such increase shall be
4 determined by (i) recomputing the investment credit which
5 would have been allowed for the year in which credit for
6 such property was originally allowed by eliminating such
7 property from such computation, and (ii) subtracting such
8 recomputed credit from the amount of credit previously
9 allowed. For the purposes of this paragraph (6), a
10 reduction of the basis of qualified property resulting
11 from a redetermination of the purchase price shall be
12 deemed a disposition of qualified property to the extent
13 of such reduction.

14 (7) Beginning with tax years ending after December
15 31, 1996, if a taxpayer qualifies for the credit under
16 this subsection (h) and thereby is granted a tax
17 abatement and the taxpayer relocates its entire facility
18 in violation of the explicit terms and length of the
19 contract under Section 18-183 of the Property Tax Code,
20 the tax imposed under subsections (a) and (b) of this
21 Section shall be increased for the taxable year in which
22 the taxpayer relocated its facility by an amount equal to
23 the amount of credit received by the taxpayer under this
24 subsection (h).

25 (i) Credit for Personal Property Tax Replacement Income
26 Tax. A credit shall be allowed against the tax imposed by
27 subsections (a) and (b) of this Section for the tax imposed
28 by subsections (c) and (d) of this Section. This credit
29 shall be computed by multiplying the tax imposed by
30 subsections (c) and (d) of this Section by a fraction, the
31 numerator of which is base income allocable to Illinois and
32 the denominator of which is Illinois base income, and further
33 multiplying the product by the tax rate imposed by
34 subsections (a) and (b) of this Section.

1 Any credit earned on or after December 31, 1986 under
2 this subsection which is unused in the year the credit is
3 computed because it exceeds the tax liability imposed by
4 subsections (a) and (b) for that year (whether it exceeds the
5 original liability or the liability as later amended) may be
6 carried forward and applied to the tax liability imposed by
7 subsections (a) and (b) of the 5 taxable years following the
8 excess credit year. This credit shall be applied first to
9 the earliest year for which there is a liability. If there
10 is a credit under this subsection from more than one tax year
11 that is available to offset a liability the earliest credit
12 arising under this subsection shall be applied first.

13 If, during any taxable year ending on or after December
14 31, 1986, the tax imposed by subsections (c) and (d) of this
15 Section for which a taxpayer has claimed a credit under this
16 subsection (i) is reduced, the amount of credit for such tax
17 shall also be reduced. Such reduction shall be determined by
18 recomputing the credit to take into account the reduced tax
19 imposed by subsections (c) and (d). If any portion of the
20 reduced amount of credit has been carried to a different
21 taxable year, an amended return shall be filed for such
22 taxable year to reduce the amount of credit claimed.

23 (j) Training expense credit. Beginning with tax years
24 ending on or after December 31, 1986, a taxpayer shall be
25 allowed a credit against the tax imposed by subsections (a)
26 and (b) under this Section for all amounts paid or accrued,
27 on behalf of all persons employed by the taxpayer in Illinois
28 or Illinois residents employed outside of Illinois by a
29 taxpayer, for educational or vocational training in
30 semi-technical or technical fields or semi-skilled or skilled
31 fields, which were deducted from gross income in the
32 computation of taxable income. The credit against the tax
33 imposed by subsections (a) and (b) shall be 1.6% of such
34 training expenses. For partners, shareholders of subchapter

1 S corporations, and owners of limited liability companies, if
2 the liability company is treated as a partnership for
3 purposes of federal and State income taxation, there shall be
4 allowed a credit under this subsection (j) to be determined
5 in accordance with the determination of income and
6 distributive share of income under Sections 702 and 704 and
7 subchapter S of the Internal Revenue Code.

8 Any credit allowed under this subsection which is unused
9 in the year the credit is earned may be carried forward to
10 each of the 5 taxable years following the year for which the
11 credit is first computed until it is used. This credit shall
12 be applied first to the earliest year for which there is a
13 liability. If there is a credit under this subsection from
14 more than one tax year that is available to offset a
15 liability the earliest credit arising under this subsection
16 shall be applied first.

17 (k) Research and development credit.

18 Beginning with tax years ending after July 1, 1990, a
19 taxpayer shall be allowed a credit against the tax imposed by
20 subsections (a) and (b) of this Section for increasing
21 research activities in this State. The credit allowed
22 against the tax imposed by subsections (a) and (b) shall be
23 equal to 6 1/2% of the qualifying expenditures for increasing
24 research activities in this State. For partners,
25 shareholders of subchapter S corporations, and owners of
26 limited liability companies, if the liability company is
27 treated as a partnership for purposes of federal and State
28 income taxation, there shall be allowed a credit under this
29 subsection to be determined in accordance with the
30 determination of income and distributive share of income
31 under Sections 702 and 704 and subchapter S of the Internal
32 Revenue Code.

33 For purposes of this subsection, "qualifying
34 expenditures" means the qualifying expenditures as defined

1 for the federal credit for increasing research activities
2 which would be allowable under Section 41 of the Internal
3 Revenue Code and which are conducted in this State,
4 "qualifying expenditures for increasing research activities
5 in this State" means the excess of qualifying expenditures
6 for the taxable year in which incurred over qualifying
7 expenditures for the base period, "qualifying expenditures
8 for the base period" means the average of the qualifying
9 expenditures for each year in the base period, and "base
10 period" means the 3 taxable years immediately preceding the
11 taxable year for which the determination is being made.

12 Any credit in excess of the tax liability for the taxable
13 year may be carried forward. A taxpayer may elect to have the
14 unused credit shown on its final completed return carried
15 over as a credit against the tax liability for the following
16 5 taxable years or until it has been fully used, whichever
17 occurs first.

18 If an unused credit is carried forward to a given year
19 from 2 or more earlier years, that credit arising in the
20 earliest year will be applied first against the tax liability
21 for the given year. If a tax liability for the given year
22 still remains, the credit from the next earliest year will
23 then be applied, and so on, until all credits have been used
24 or no tax liability for the given year remains. Any
25 remaining unused credit or credits then will be carried
26 forward to the next following year in which a tax liability
27 is incurred, except that no credit can be carried forward to
28 a year which is more than 5 years after the year in which the
29 expense for which the credit is given was incurred.

30 Unless extended by law, the credit shall not include
31 costs incurred after December 31, 2004, except for costs
32 incurred pursuant to a binding contract entered into on or
33 before December 31, 2004.

34 No inference shall be drawn from this amendatory Act of

1 the 91st General Assembly in construing this Section for
2 taxable years beginning before January 1, 1999.

3 (1) Environmental Remediation Tax Credit.

4 (i) For tax years ending after December 31, 1997
5 and on or before December 31, 2001, a taxpayer shall be
6 allowed a credit against the tax imposed by subsections
7 (a) and (b) of this Section for certain amounts paid for
8 unreimbursed eligible remediation costs, as specified in
9 this subsection. For purposes of this Section,
10 "unreimbursed eligible remediation costs" means costs
11 approved by the Illinois Environmental Protection Agency
12 ("Agency") under Section 58.14 of the Environmental
13 Protection Act that were paid in performing environmental
14 remediation at a site for which a No Further Remediation
15 Letter was issued by the Agency and recorded under
16 Section 58.10 of the Environmental Protection Act. The
17 credit must be claimed for the taxable year in which
18 Agency approval of the eligible remediation costs is
19 granted. The credit is not available to any taxpayer if
20 the taxpayer or any related party caused or contributed
21 to, in any material respect, a release of regulated
22 substances on, in, or under the site that was identified
23 and addressed by the remedial action pursuant to the Site
24 Remediation Program of the Environmental Protection Act.
25 After the Pollution Control Board rules are adopted
26 pursuant to the Illinois Administrative Procedure Act for
27 the administration and enforcement of Section 58.9 of the
28 Environmental Protection Act, determinations as to credit
29 availability for purposes of this Section shall be made
30 consistent with those rules. For purposes of this
31 Section, "taxpayer" includes a person whose tax
32 attributes the taxpayer has succeeded to under Section
33 381 of the Internal Revenue Code and "related party"
34 includes the persons disallowed a deduction for losses by

1 paragraphs (b), (c), and (f)(1) of Section 267 of the
2 Internal Revenue Code by virtue of being a related
3 taxpayer, as well as any of its partners. The credit
4 allowed against the tax imposed by subsections (a) and
5 (b) shall be equal to 25% of the unreimbursed eligible
6 remediation costs in excess of \$100,000 per site, except
7 that the \$100,000 threshold shall not apply to any site
8 contained in an enterprise zone as determined by the
9 Department of Commerce and Community Affairs. The total
10 credit allowed shall not exceed \$40,000 per year with a
11 maximum total of \$150,000 per site. For partners and
12 shareholders of subchapter S corporations, there shall be
13 allowed a credit under this subsection to be determined
14 in accordance with the determination of income and
15 distributive share of income under Sections 702 and 704
16 and subchapter S of the Internal Revenue Code.

17 (ii) A credit allowed under this subsection that is
18 unused in the year the credit is earned may be carried
19 forward to each of the 5 taxable years following the year
20 for which the credit is first earned until it is used.
21 The term "unused credit" does not include any amounts of
22 unreimbursed eligible remediation costs in excess of the
23 maximum credit per site authorized under paragraph (i).
24 This credit shall be applied first to the earliest year
25 for which there is a liability. If there is a credit
26 under this subsection from more than one tax year that is
27 available to offset a liability, the earliest credit
28 arising under this subsection shall be applied first. A
29 credit allowed under this subsection may be sold to a
30 buyer as part of a sale of all or part of the remediation
31 site for which the credit was granted. The purchaser of
32 a remediation site and the tax credit shall succeed to
33 the unused credit and remaining carry-forward period of
34 the seller. To perfect the transfer, the assignor shall

1 record the transfer in the chain of title for the site
2 and provide written notice to the Director of the
3 Illinois Department of Revenue of the assignor's intent
4 to sell the remediation site and the amount of the tax
5 credit to be transferred as a portion of the sale. In no
6 event may a credit be transferred to any taxpayer if the
7 taxpayer or a related party would not be eligible under
8 the provisions of subsection (i).

9 (iii) For purposes of this Section, the term "site"
10 shall have the same meaning as under Section 58.2 of the
11 Environmental Protection Act.

12 (m) Education expense credit. Beginning with tax years
13 ending after December 31, 1999, a taxpayer who is the
14 custodian of one or more qualifying pupils shall be allowed a
15 credit against the tax imposed by subsections (a) and (b) of
16 this Section for qualified education expenses incurred on
17 behalf of the qualifying pupils. The credit shall be equal
18 to 25% of qualified education expenses, but in no event may
19 the total credit under this subsection claimed by a family
20 that is the custodian of qualifying pupils exceed \$500. In
21 no event shall a credit under this subsection reduce the
22 taxpayer's liability under this Act to less than zero. This
23 subsection is exempt from the provisions of Section 250 of
24 this Act.

25 For purposes of this subsection:

26 "Qualifying pupils" means individuals who (i) are
27 residents of the State of Illinois, (ii) are under the age of
28 21 at the close of the school year for which a credit is
29 sought, and (iii) during the school year for which a credit
30 is sought were full-time pupils enrolled in a kindergarten
31 through twelfth grade education program at any school, as
32 defined in this subsection.

33 "Qualified education expense" means the amount incurred
34 on behalf of a qualifying pupil in excess of \$250 for

1 tuition, book fees, and lab fees at the school in which the
2 pupil is enrolled during the regular school year.

3 "School" means any public or nonpublic elementary or
4 secondary school in Illinois that is in compliance with Title
5 VI of the Civil Rights Act of 1964 and attendance at which
6 satisfies the requirements of Section 26-1 of the School
7 Code, except that nothing shall be construed to require a
8 child to attend any particular public or nonpublic school to
9 qualify for the credit under this Section.

10 "Custodian" means, with respect to qualifying pupils, an
11 Illinois resident who is a parent, the parents, a legal
12 guardian, or the legal guardians of the qualifying pupils.

13 (Source: P.A. 91-9, eff. 1-1-00; 91-357, eff. 7-29-99;
14 91-643, eff. 8-20-99; 91-644, eff. 8-20-99; 91-860, eff.
15 6-22-00; 91-913, eff. 1-1-01; 92-12, eff. 7-1-01; 92-16, eff.
16 6-28-01; 92-651, eff. 7-11-02; 92-846, eff. 8-23-02.)

17 (35 ILCS 5/211)

18 Sec. 211. Economic Development for a Growing Economy Tax
19 Credit. For tax years beginning on or after January 1, 1999
20 and ending on or before June 30, 2005, a Taxpayer who has
21 entered into an Agreement under the Economic Development for
22 a Growing Economy Tax Credit Act is entitled to a credit
23 against the taxes imposed under subsections (a) and (b) of
24 Section 201 of this Act in an amount to be determined in the
25 Agreement. If the Taxpayer is a partnership or Subchapter S
26 corporation, the credit shall be allowed to the partners or
27 shareholders in accordance with the determination of income
28 and distributive share of income under Sections 702 and 704
29 and subchapter S of the Internal Revenue Code. The
30 Department, in cooperation with the Department of Commerce
31 and Community Affairs, shall prescribe rules to enforce and
32 administer the provisions of this Section. ~~This Section is~~
33 ~~exempt from the provisions of Section 250 of this Act.~~

1 The credit shall be subject to the conditions set forth
2 in the Agreement and the following limitations:

3 (1) The tax credit shall not exceed the Incremental
4 Income Tax (as defined in Section 5-5 of the Economic
5 Development for a Growing Economy Tax Credit Act) with
6 respect to the project.

7 (2) The amount of the credit allowed during the tax
8 year plus the sum of all amounts allowed in prior years
9 shall not exceed 100% of the aggregate amount expended by
10 the Taxpayer during all prior tax years on approved costs
11 defined by Agreement.

12 (3) The amount of the credit shall be determined on
13 an annual basis. Except as applied in a carryover year
14 pursuant to Section 211(4) of this Act, the credit may
15 not be applied against any State income tax liability in
16 more than 10 taxable years; provided, however, that (i)
17 an eligible business certified by the Department of
18 Commerce and Community Affairs under the Corporate
19 Headquarters Relocation Act may not apply the credit
20 against any of its State income tax liability in more
21 than 15 taxable years and (ii) credits allowed to that
22 eligible business are subject to the conditions and
23 requirements set forth in Sections 5-35 and 5-45 of the
24 Economic Development for a Growing Economy Tax Credit
25 Act.

26 (4) The credit may not exceed the amount of taxes
27 imposed pursuant to subsections (a) and (b) of Section
28 201 of this Act. Any credit that is unused in the year
29 the credit is computed may be carried forward and applied
30 to the tax liability of the 5 taxable years following the
31 excess credit year. The credit shall be applied to the
32 earliest year for which there is a tax liability. If
33 there are credits from more than one tax year that are
34 available to offset a liability, the earlier credit shall

1 be applied first.

2 (5) No credit shall be allowed with respect to any
3 Agreement for any taxable year ending after the
4 Noncompliance Date. Upon receiving notification by the
5 Department of Commerce and Community Affairs of the
6 noncompliance of a Taxpayer with an Agreement, the
7 Department shall notify the Taxpayer that no credit is
8 allowed with respect to that Agreement for any taxable
9 year ending after the Noncompliance Date, as stated in
10 such notification. If any credit has been allowed with
11 respect to an Agreement for a taxable year ending after
12 the Noncompliance Date for that Agreement, any refund
13 paid to the Taxpayer for that taxable year shall, to the
14 extent of that credit allowed, be an erroneous refund
15 within the meaning of Section 912 of this Act.

16 (6) For purposes of this Section, the terms
17 "Agreement", "Incremental Income Tax", and
18 "Noncompliance Date" have the same meaning as when used
19 in the Economic Development for a Growing Economy Tax
20 Credit Act.

21 (Source: P.A. 91-476, eff. 8-11-99; 92-207, eff. 8-1-01.)

22 Section 10. The Use Tax Act is amended by changing
23 Sections 3-5 and 3-55 as follows:

24 (35 ILCS 105/3-5) (from Ch. 120, par. 439.3-5)

25 Sec. 3-5. Exemptions. Use of the following tangible
26 personal property is exempt from the tax imposed by this Act:

27 (1) Personal property purchased from a corporation,
28 society, association, foundation, institution, or
29 organization, other than a limited liability company, that is
30 organized and operated as a not-for-profit service enterprise
31 for the benefit of persons 65 years of age or older if the
32 personal property was not purchased by the enterprise for the

1 purpose of resale by the enterprise.

2 (2) Personal property purchased by a not-for-profit
3 Illinois county fair association for use in conducting,
4 operating, or promoting the county fair.

5 (3) Personal property purchased by a not-for-profit arts
6 or cultural organization that establishes, by proof required
7 by the Department by rule, that it has received an exemption
8 under Section 501(c)(3) of the Internal Revenue Code and that
9 is organized and operated primarily for the presentation or
10 support of arts or cultural programming, activities, or
11 services. These organizations include, but are not limited
12 to, music and dramatic arts organizations such as symphony
13 orchestras and theatrical groups, arts and cultural service
14 organizations, local arts councils, visual arts
15 organizations, and media arts organizations. On and after the
16 effective date of this amendatory Act of the 92nd General
17 Assembly, however, an entity otherwise eligible for this
18 exemption shall not make tax-free purchases unless it has an
19 active identification number issued by the Department.

20 (4) Personal property purchased by a governmental body,
21 by a corporation, society, association, foundation, or
22 institution organized and operated exclusively for
23 charitable, religious, or educational purposes, or by a
24 not-for-profit corporation, society, association, foundation,
25 institution, or organization that has no compensated officers
26 or employees and that is organized and operated primarily for
27 the recreation of persons 55 years of age or older. A limited
28 liability company may qualify for the exemption under this
29 paragraph only if the limited liability company is organized
30 and operated exclusively for educational purposes. On and
31 after July 1, 1987, however, no entity otherwise eligible for
32 this exemption shall make tax-free purchases unless it has an
33 active exemption identification number issued by the
34 Department.

1 (5) A passenger car that is a replacement vehicle to the
2 extent that the purchase price of the car is subject to the
3 Replacement Vehicle Tax.

4 (6) Graphic arts machinery and equipment, including
5 repair and replacement parts, both new and used, and
6 including that manufactured on special order, certified by
7 the purchaser to be used primarily for graphic arts
8 production, and including machinery and equipment purchased
9 for lease. Equipment includes chemicals or chemicals acting
10 as catalysts but only if the chemicals or chemicals acting as
11 catalysts effect a direct and immediate change upon a graphic
12 arts product.

13 (7) Farm chemicals.

14 (8) Legal tender, currency, medallions, or gold or
15 silver coinage issued by the State of Illinois, the
16 government of the United States of America, or the government
17 of any foreign country, and bullion.

18 (9) Personal property purchased from a teacher-sponsored
19 student organization affiliated with an elementary or
20 secondary school located in Illinois.

21 (10) A motor vehicle of the first division, a motor
22 vehicle of the second division that is a self-contained motor
23 vehicle designed or permanently converted to provide living
24 quarters for recreational, camping, or travel use, with
25 direct walk through to the living quarters from the driver's
26 seat, or a motor vehicle of the second division that is of
27 the van configuration designed for the transportation of not
28 less than 7 nor more than 16 passengers, as defined in
29 Section 1-146 of the Illinois Vehicle Code, that is used for
30 automobile renting, as defined in the Automobile Renting
31 Occupation and Use Tax Act.

32 (11) Farm machinery and equipment, both new and used,
33 including that manufactured on special order, certified by
34 the purchaser to be used primarily for production agriculture

1 or State or federal agricultural programs, including
2 individual replacement parts for the machinery and equipment,
3 including machinery and equipment purchased for lease, and
4 including implements of husbandry defined in Section 1-130 of
5 the Illinois Vehicle Code, farm machinery and agricultural
6 chemical and fertilizer spreaders, and nurse wagons required
7 to be registered under Section 3-809 of the Illinois Vehicle
8 Code, but excluding other motor vehicles required to be
9 registered under the Illinois Vehicle Code. Horticultural
10 polyhouses or hoop houses used for propagating, growing, or
11 overwintering plants shall be considered farm machinery and
12 equipment under this item (11). Agricultural chemical tender
13 tanks and dry boxes shall include units sold separately from
14 a motor vehicle required to be licensed and units sold
15 mounted on a motor vehicle required to be licensed if the
16 selling price of the tender is separately stated.

17 Farm machinery and equipment shall include precision
18 farming equipment that is installed or purchased to be
19 installed on farm machinery and equipment including, but not
20 limited to, tractors, harvesters, sprayers, planters,
21 seeders, or spreaders. Precision farming equipment includes,
22 but is not limited to, soil testing sensors, computers,
23 monitors, software, global positioning and mapping systems,
24 and other such equipment.

25 Farm machinery and equipment also includes computers,
26 sensors, software, and related equipment used primarily in
27 the computer-assisted operation of production agriculture
28 facilities, equipment, and activities such as, but not
29 limited to, the collection, monitoring, and correlation of
30 animal and crop data for the purpose of formulating animal
31 diets and agricultural chemicals. This item (11) is exempt
32 from the provisions of Section 3-90.

33 (12) Fuel and petroleum products sold to or used by an
34 air common carrier, certified by the carrier to be used for

1 consumption, shipment, or storage in the conduct of its
2 business as an air common carrier, for a flight destined for
3 or returning from a location or locations outside the United
4 States without regard to previous or subsequent domestic
5 stopovers.

6 (13) Proceeds of mandatory service charges separately
7 stated on customers' bills for the purchase and consumption
8 of food and beverages purchased at retail from a retailer, to
9 the extent that the proceeds of the service charge are in
10 fact turned over as tips or as a substitute for tips to the
11 employees who participate directly in preparing, serving,
12 hosting or cleaning up the food or beverage function with
13 respect to which the service charge is imposed.

14 (14) Oil field exploration, drilling, and production
15 equipment, including (i) rigs and parts of rigs, rotary rigs,
16 cable tool rigs, and workover rigs, (ii) pipe and tubular
17 goods, including casing and drill strings, (iii) pumps and
18 pump-jack units, (iv) storage tanks and flow lines, (v) any
19 individual replacement part for oil field exploration,
20 drilling, and production equipment, and (vi) machinery and
21 equipment purchased for lease; but excluding motor vehicles
22 required to be registered under the Illinois Vehicle Code.

23 (15) Photoprocessing machinery and equipment, including
24 repair and replacement parts, both new and used, including
25 that manufactured on special order, certified by the
26 purchaser to be used primarily for photoprocessing, and
27 including photoprocessing machinery and equipment purchased
28 for lease.

29 (16) Coal exploration, mining, offhighway hauling,
30 processing, maintenance, and reclamation equipment, including
31 replacement parts and equipment, and including equipment
32 purchased for lease, but excluding motor vehicles required to
33 be registered under the Illinois Vehicle Code.

34 (17) Distillation machinery and equipment, sold as a

1 unit or kit, assembled or installed by the retailer,
2 certified by the user to be used only for the production of
3 ethyl alcohol that will be used for consumption as motor fuel
4 or as a component of motor fuel for the personal use of the
5 user, and not subject to sale or resale.

6 (18) Manufacturing and assembling machinery and
7 equipment used primarily in the process of manufacturing or
8 assembling tangible personal property for wholesale or retail
9 sale or lease, whether that sale or lease is made directly by
10 the manufacturer or by some other person, whether the
11 materials used in the process are owned by the manufacturer
12 or some other person, or whether that sale or lease is made
13 apart from or as an incident to the seller's engaging in the
14 service occupation of producing machines, tools, dies, jigs,
15 patterns, gauges, or other similar items of no commercial
16 value on special order for a particular purchaser.

17 (19) Personal property delivered to a purchaser or
18 purchaser's donee inside Illinois when the purchase order for
19 that personal property was received by a florist located
20 outside Illinois who has a florist located inside Illinois
21 deliver the personal property.

22 (20) Semen used for artificial insemination of livestock
23 for direct agricultural production.

24 (21) Horses, or interests in horses, registered with and
25 meeting the requirements of any of the Arabian Horse Club
26 Registry of America, Appaloosa Horse Club, American Quarter
27 Horse Association, United States Trotting Association, or
28 Jockey Club, as appropriate, used for purposes of breeding or
29 racing for prizes.

30 (22) Computers and communications equipment utilized for
31 any hospital purpose and equipment used in the diagnosis,
32 analysis, or treatment of hospital patients purchased by a
33 lessor who leases the equipment, under a lease of one year or
34 longer executed or in effect at the time the lessor would

1 otherwise be subject to the tax imposed by this Act, to a
2 hospital that has been issued an active tax exemption
3 identification number by the Department under Section 1g of
4 the Retailers' Occupation Tax Act. If the equipment is
5 leased in a manner that does not qualify for this exemption
6 or is used in any other non-exempt manner, the lessor shall
7 be liable for the tax imposed under this Act or the Service
8 Use Tax Act, as the case may be, based on the fair market
9 value of the property at the time the non-qualifying use
10 occurs. No lessor shall collect or attempt to collect an
11 amount (however designated) that purports to reimburse that
12 lessor for the tax imposed by this Act or the Service Use Tax
13 Act, as the case may be, if the tax has not been paid by the
14 lessor. If a lessor improperly collects any such amount from
15 the lessee, the lessee shall have a legal right to claim a
16 refund of that amount from the lessor. If, however, that
17 amount is not refunded to the lessee for any reason, the
18 lessor is liable to pay that amount to the Department.

19 (23) Personal property purchased by a lessor who leases
20 the property, under a lease of one year or longer executed
21 or in effect at the time the lessor would otherwise be
22 subject to the tax imposed by this Act, to a governmental
23 body that has been issued an active sales tax exemption
24 identification number by the Department under Section 1g of
25 the Retailers' Occupation Tax Act. If the property is leased
26 in a manner that does not qualify for this exemption or used
27 in any other non-exempt manner, the lessor shall be liable
28 for the tax imposed under this Act or the Service Use Tax
29 Act, as the case may be, based on the fair market value of
30 the property at the time the non-qualifying use occurs. No
31 lessor shall collect or attempt to collect an amount (however
32 designated) that purports to reimburse that lessor for the
33 tax imposed by this Act or the Service Use Tax Act, as the
34 case may be, if the tax has not been paid by the lessor. If

1 a lessor improperly collects any such amount from the lessee,
2 the lessee shall have a legal right to claim a refund of that
3 amount from the lessor. If, however, that amount is not
4 refunded to the lessee for any reason, the lessor is liable
5 to pay that amount to the Department.

6 (24) Beginning with taxable years ending on or after
7 December 31, 1995 and ending with taxable years ending on or
8 before December 31, 2004, personal property that is donated
9 for disaster relief to be used in a State or federally
10 declared disaster area in Illinois or bordering Illinois by a
11 manufacturer or retailer that is registered in this State to
12 a corporation, society, association, foundation, or
13 institution that has been issued a sales tax exemption
14 identification number by the Department that assists victims
15 of the disaster who reside within the declared disaster area.

16 (25) Beginning with taxable years ending on or after
17 December 31, 1995 and ending with taxable years ending on or
18 before December 31, 2004, personal property that is used in
19 the performance of infrastructure repairs in this State,
20 including but not limited to municipal roads and streets,
21 access roads, bridges, sidewalks, waste disposal systems,
22 water and sewer line extensions, water distribution and
23 purification facilities, storm water drainage and retention
24 facilities, and sewage treatment facilities, resulting from a
25 State or federally declared disaster in Illinois or bordering
26 Illinois when such repairs are initiated on facilities
27 located in the declared disaster area within 6 months after
28 the disaster.

29 (26) Beginning July 1, 1999, game or game birds
30 purchased at a "game breeding and hunting preserve area" or
31 an "exotic game hunting area" as those terms are used in the
32 Wildlife Code or at a hunting enclosure approved through
33 rules adopted by the Department of Natural Resources. This
34 paragraph is exempt from the provisions of Section 3-90.

1 (27) A motor vehicle, as that term is defined in Section
2 1-146 of the Illinois Vehicle Code, that is donated to a
3 corporation, limited liability company, society, association,
4 foundation, or institution that is determined by the
5 Department to be organized and operated exclusively for
6 educational purposes. For purposes of this exemption, "a
7 corporation, limited liability company, society, association,
8 foundation, or institution organized and operated exclusively
9 for educational purposes" means all tax-supported public
10 schools, private schools that offer systematic instruction in
11 useful branches of learning by methods common to public
12 schools and that compare favorably in their scope and
13 intensity with the course of study presented in tax-supported
14 schools, and vocational or technical schools or institutes
15 organized and operated exclusively to provide a course of
16 study of not less than 6 weeks duration and designed to
17 prepare individuals to follow a trade or to pursue a manual,
18 technical, mechanical, industrial, business, or commercial
19 occupation.

20 (28) Beginning January 1, 2000 and through June 30,
21 2005, personal property, including food, purchased through
22 fundraising events for the benefit of a public or private
23 elementary or secondary school, a group of those schools, or
24 one or more school districts if the events are sponsored by
25 an entity recognized by the school district that consists
26 primarily of volunteers and includes parents and teachers of
27 the school children. This paragraph does not apply to
28 fundraising events (i) for the benefit of private home
29 instruction or (ii) for which the fundraising entity
30 purchases the personal property sold at the events from
31 another individual or entity that sold the property for the
32 purpose of resale by the fundraising entity and that profits
33 from the sale to the fundraising entity. ~~This--paragraph--is~~
34 ~~exempt-from-the-provisions-of-Section-3-90.~~

1 (29) Beginning January 1, 2000 and through December 31,
2 2001, new or used automatic vending machines that prepare and
3 serve hot food and beverages, including coffee, soup, and
4 other items, and replacement parts for these machines.
5 Beginning January 1, 2002 and through June 30, 2005, machines
6 and parts for machines used in commercial, coin-operated
7 amusement and vending business if a use or occupation tax is
8 paid on the gross receipts derived from the use of the
9 commercial, coin-operated amusement and vending machines.
10 ~~This paragraph is exempt from the provisions of Section 3-90.~~

11 (30) Food for human consumption that is to be consumed
12 off the premises where it is sold (other than alcoholic
13 beverages, soft drinks, and food that has been prepared for
14 immediate consumption) and prescription and nonprescription
15 medicines, drugs, medical appliances, and insulin, urine
16 testing materials, syringes, and needles used by diabetics,
17 for human use, when purchased for use by a person receiving
18 medical assistance under Article 5 of the Illinois Public Aid
19 Code who resides in a licensed long-term care facility, as
20 defined in the Nursing Home Care Act.

21 (31) Beginning on the effective date of this amendatory
22 Act of the 92nd General Assembly and through June 30, 2005,
23 computers and communications equipment utilized for any
24 hospital purpose and equipment used in the diagnosis,
25 analysis, or treatment of hospital patients purchased by a
26 lessor who leases the equipment, under a lease of one year or
27 longer executed or in effect at the time the lessor would
28 otherwise be subject to the tax imposed by this Act, to a
29 hospital that has been issued an active tax exemption
30 identification number by the Department under Section 1g of
31 the Retailers' Occupation Tax Act. If the equipment is
32 leased in a manner that does not qualify for this exemption
33 or is used in any other nonexempt manner, the lessor shall be
34 liable for the tax imposed under this Act or the Service Use

1 Tax Act, as the case may be, based on the fair market value
2 of the property at the time the nonqualifying use occurs. No
3 lessor shall collect or attempt to collect an amount (however
4 designated) that purports to reimburse that lessor for the
5 tax imposed by this Act or the Service Use Tax Act, as the
6 case may be, if the tax has not been paid by the lessor. If
7 a lessor improperly collects any such amount from the lessee,
8 the lessee shall have a legal right to claim a refund of that
9 amount from the lessor. If, however, that amount is not
10 refunded to the lessee for any reason, the lessor is liable
11 to pay that amount to the Department. ~~This paragraph is~~
12 ~~exempt from the provisions of Section 3-90.~~

13 (32) Beginning on the effective date of this amendatory
14 Act of the 92nd General Assembly and through June 30, 2005,
15 personal property purchased by a lessor who leases the
16 property, under a lease of one year or longer executed or in
17 effect at the time the lessor would otherwise be subject to
18 the tax imposed by this Act, to a governmental body that has
19 been issued an active sales tax exemption identification
20 number by the Department under Section 1g of the Retailers'
21 Occupation Tax Act. If the property is leased in a manner
22 that does not qualify for this exemption or used in any other
23 nonexempt manner, the lessor shall be liable for the tax
24 imposed under this Act or the Service Use Tax Act, as the
25 case may be, based on the fair market value of the property
26 at the time the nonqualifying use occurs. No lessor shall
27 collect or attempt to collect an amount (however designated)
28 that purports to reimburse that lessor for the tax imposed by
29 this Act or the Service Use Tax Act, as the case may be, if
30 the tax has not been paid by the lessor. If a lessor
31 improperly collects any such amount from the lessee, the
32 lessee shall have a legal right to claim a refund of that
33 amount from the lessor. If, however, that amount is not
34 refunded to the lessee for any reason, the lessor is liable

1 to pay that amount to the Department. This--paragraph--is
2 exempt-from-the-provisions-of-Section-3-90-

3 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;
4 91-439, eff. 8-6-99; 91-637, eff. 8-20-99; 91-644, eff.
5 8-20-99; 91-901, eff. 1-1-01; 92-35, eff. 7-1-01; 92-227,
6 eff. 8-2-01; 92-337, eff. 8-10-01; 92-484, eff. 8-23-01;
7 92-651, eff. 7-11-02.)

8 (35 ILCS 105/3-55) (from Ch. 120, par. 439.3-55)

9 Sec. 3-55. Multistate exemption. The tax imposed by
10 this Act does not apply to the use of tangible personal
11 property in this State under the following circumstances:

12 (a) The use, in this State, of tangible personal
13 property acquired outside this State by a nonresident
14 individual and brought into this State by the individual for
15 his or her own use while temporarily within this State or
16 while passing through this State.

17 (b) The use, in this State, of tangible personal
18 property by an interstate carrier for hire as rolling stock
19 moving in interstate commerce or by lessors under a lease of
20 one year or longer executed or in effect at the time of
21 purchase of tangible personal property by interstate carriers
22 for-hire for use as rolling stock moving in interstate
23 commerce as long as so used by the interstate carriers
24 for-hire, and equipment operated by a telecommunications
25 provider, licensed as a common carrier by the Federal
26 Communications Commission, which is permanently installed in
27 or affixed to aircraft moving in interstate commerce.

28 (c) The use, in this State, by owners, lessors, or
29 shippers of tangible personal property that is utilized by
30 interstate carriers for hire for use as rolling stock moving
31 in interstate commerce as long as so used by the interstate
32 carriers for hire, and equipment operated by a
33 telecommunications provider, licensed as a common carrier by

1 the Federal Communications Commission, which is permanently
2 installed in or affixed to aircraft moving in interstate
3 commerce.

4 (d) The use, in this State, of tangible personal
5 property that is acquired outside this State and caused to be
6 brought into this State by a person who has already paid a
7 tax in another State in respect to the sale, purchase, or use
8 of that property, to the extent of the amount of the tax
9 properly due and paid in the other State.

10 (e) The temporary storage, in this State, of tangible
11 personal property that is acquired outside this State and
12 that, after being brought into this State and stored here
13 temporarily, is used solely outside this State or is
14 physically attached to or incorporated into other tangible
15 personal property that is used solely outside this State, or
16 is altered by converting, fabricating, manufacturing,
17 printing, processing, or shaping, and, as altered, is used
18 solely outside this State.

19 (f) The temporary storage in this State of building
20 materials and fixtures that are acquired either in this State
21 or outside this State by an Illinois registered combination
22 retailer and construction contractor, and that the purchaser
23 thereafter uses outside this State by incorporating that
24 property into real estate located outside this State.

25 (g) The use or purchase of tangible personal property by
26 a common carrier by rail or motor that receives the physical
27 possession of the property in Illinois, and that transports
28 the property, or shares with another common carrier in the
29 transportation of the property, out of Illinois on a standard
30 uniform bill of lading showing the seller of the property as
31 the shipper or consignor of the property to a destination
32 outside Illinois, for use outside Illinois.

33 (h) The use, in this State, of a motor vehicle that was
34 sold in this State to a nonresident, even though the motor

1 vehicle is delivered to the nonresident in this State, if the
2 motor vehicle is not to be titled in this State, and if a
3 drive-away permit is issued to the motor vehicle as provided
4 in Section 3-603 of the Illinois Vehicle Code or if the
5 nonresident purchaser has vehicle registration plates to
6 transfer to the motor vehicle upon returning to his or her
7 home state. The issuance of the drive-away permit or having
8 the out-of-state registration plates to be transferred shall
9 be prima facie evidence that the motor vehicle will not be
10 titled in this State.

11 (i) Beginning July 1, 1999, the use, in this State, of
12 fuel acquired outside this State and brought into this State
13 in the fuel supply tanks of locomotives engaged in freight
14 hauling and passenger service for interstate commerce. This
15 subsection is exempt from the provisions of Section 3-90.

16 (j) Beginning on January 1, 2002 and through June 30,
17 2005, the use of tangible personal property purchased from an
18 Illinois retailer by a taxpayer engaged in centralized
19 purchasing activities in Illinois who will, upon receipt of
20 the property in Illinois, temporarily store the property in
21 Illinois (i) for the purpose of subsequently transporting it
22 outside this State for use or consumption thereafter solely
23 outside this State or (ii) for the purpose of being
24 processed, fabricated, or manufactured into, attached to, or
25 incorporated into other tangible personal property to be
26 transported outside this State and thereafter used or
27 consumed solely outside this State. The Director of Revenue
28 shall, pursuant to rules adopted in accordance with the
29 Illinois Administrative Procedure Act, issue a permit to any
30 taxpayer in good standing with the Department who is eligible
31 for the exemption under this subsection (j). The permit
32 issued under this subsection (j) shall authorize the holder,
33 to the extent and in the manner specified in the rules
34 adopted under this Act, to purchase tangible personal

1 property from a retailer exempt from the taxes imposed by
2 this Act. Taxpayers shall maintain all necessary books and
3 records to substantiate the use and consumption of all such
4 tangible personal property outside of the State of Illinois.
5 (Source: P.A. 91-51, eff. 6-30-99; 91-313, eff. 7-29-99;
6 91-587, eff. 8-14-99; 92-16, eff. 6-28-01; 92-488, eff.
7 8-23-01; 92-680, eff. 7-16-02.)

8 Section 15. The Service Use Tax Act is amended by
9 changing Sections 3-5 and 3-45 as follows:

10 (35 ILCS 110/3-5) (from Ch. 120, par. 439.33-5)

11 Sec. 3-5. Exemptions. Use of the following tangible
12 personal property is exempt from the tax imposed by this Act:

13 (1) Personal property purchased from a corporation,
14 society, association, foundation, institution, or
15 organization, other than a limited liability company, that is
16 organized and operated as a not-for-profit service enterprise
17 for the benefit of persons 65 years of age or older if the
18 personal property was not purchased by the enterprise for the
19 purpose of resale by the enterprise.

20 (2) Personal property purchased by a non-profit Illinois
21 county fair association for use in conducting, operating, or
22 promoting the county fair.

23 (3) Personal property purchased by a not-for-profit arts
24 or cultural organization that establishes, by proof required
25 by the Department by rule, that it has received an exemption
26 under Section 501(c)(3) of the Internal Revenue Code and that
27 is organized and operated primarily for the presentation or
28 support of arts or cultural programming, activities, or
29 services. These organizations include, but are not limited
30 to, music and dramatic arts organizations such as symphony
31 orchestras and theatrical groups, arts and cultural service
32 organizations, local arts councils, visual arts

1 organizations, and media arts organizations. On and after the
2 effective date of this amendatory Act of the 92nd General
3 Assembly, however, an entity otherwise eligible for this
4 exemption shall not make tax-free purchases unless it has an
5 active identification number issued by the Department.

6 (4) Legal tender, currency, medallions, or gold or
7 silver coinage issued by the State of Illinois, the
8 government of the United States of America, or the government
9 of any foreign country, and bullion.

10 (5) Graphic arts machinery and equipment, including
11 repair and replacement parts, both new and used, and
12 including that manufactured on special order or purchased for
13 lease, certified by the purchaser to be used primarily for
14 graphic arts production. Equipment includes chemicals or
15 chemicals acting as catalysts but only if the chemicals or
16 chemicals acting as catalysts effect a direct and immediate
17 change upon a graphic arts product.

18 (6) Personal property purchased from a teacher-sponsored
19 student organization affiliated with an elementary or
20 secondary school located in Illinois.

21 (7) Farm machinery and equipment, both new and used,
22 including that manufactured on special order, certified by
23 the purchaser to be used primarily for production agriculture
24 or State or federal agricultural programs, including
25 individual replacement parts for the machinery and equipment,
26 including machinery and equipment purchased for lease, and
27 including implements of husbandry defined in Section 1-130 of
28 the Illinois Vehicle Code, farm machinery and agricultural
29 chemical and fertilizer spreaders, and nurse wagons required
30 to be registered under Section 3-809 of the Illinois Vehicle
31 Code, but excluding other motor vehicles required to be
32 registered under the Illinois Vehicle Code. Horticultural
33 polyhouses or hoop houses used for propagating, growing, or
34 overwintering plants shall be considered farm machinery and

1 equipment under this item (7). Agricultural chemical tender
2 tanks and dry boxes shall include units sold separately from
3 a motor vehicle required to be licensed and units sold
4 mounted on a motor vehicle required to be licensed if the
5 selling price of the tender is separately stated.

6 Farm machinery and equipment shall include precision
7 farming equipment that is installed or purchased to be
8 installed on farm machinery and equipment including, but not
9 limited to, tractors, harvesters, sprayers, planters,
10 seeders, or spreaders. Precision farming equipment includes,
11 but is not limited to, soil testing sensors, computers,
12 monitors, software, global positioning and mapping systems,
13 and other such equipment.

14 Farm machinery and equipment also includes computers,
15 sensors, software, and related equipment used primarily in
16 the computer-assisted operation of production agriculture
17 facilities, equipment, and activities such as, but not
18 limited to, the collection, monitoring, and correlation of
19 animal and crop data for the purpose of formulating animal
20 diets and agricultural chemicals. This item (7) is exempt
21 from the provisions of Section 3-75.

22 (8) Fuel and petroleum products sold to or used by an
23 air common carrier, certified by the carrier to be used for
24 consumption, shipment, or storage in the conduct of its
25 business as an air common carrier, for a flight destined for
26 or returning from a location or locations outside the United
27 States without regard to previous or subsequent domestic
28 stopovers.

29 (9) Proceeds of mandatory service charges separately
30 stated on customers' bills for the purchase and consumption
31 of food and beverages acquired as an incident to the purchase
32 of a service from a serviceman, to the extent that the
33 proceeds of the service charge are in fact turned over as
34 tips or as a substitute for tips to the employees who

1 participate directly in preparing, serving, hosting or
2 cleaning up the food or beverage function with respect to
3 which the service charge is imposed.

4 (10) Oil field exploration, drilling, and production
5 equipment, including (i) rigs and parts of rigs, rotary rigs,
6 cable tool rigs, and workover rigs, (ii) pipe and tubular
7 goods, including casing and drill strings, (iii) pumps and
8 pump-jack units, (iv) storage tanks and flow lines, (v) any
9 individual replacement part for oil field exploration,
10 drilling, and production equipment, and (vi) machinery and
11 equipment purchased for lease; but excluding motor vehicles
12 required to be registered under the Illinois Vehicle Code.

13 (11) Proceeds from the sale of photoprocessing machinery
14 and equipment, including repair and replacement parts, both
15 new and used, including that manufactured on special order,
16 certified by the purchaser to be used primarily for
17 photoprocessing, and including photoprocessing machinery and
18 equipment purchased for lease.

19 (12) Coal exploration, mining, offhighway hauling,
20 processing, maintenance, and reclamation equipment, including
21 replacement parts and equipment, and including equipment
22 purchased for lease, but excluding motor vehicles required to
23 be registered under the Illinois Vehicle Code.

24 (13) Semen used for artificial insemination of livestock
25 for direct agricultural production.

26 (14) Horses, or interests in horses, registered with and
27 meeting the requirements of any of the Arabian Horse Club
28 Registry of America, Appaloosa Horse Club, American Quarter
29 Horse Association, United States Trotting Association, or
30 Jockey Club, as appropriate, used for purposes of breeding or
31 racing for prizes.

32 (15) Computers and communications equipment utilized for
33 any hospital purpose and equipment used in the diagnosis,
34 analysis, or treatment of hospital patients purchased by a

1 lessor who leases the equipment, under a lease of one year or
2 longer executed or in effect at the time the lessor would
3 otherwise be subject to the tax imposed by this Act, to a
4 hospital that has been issued an active tax exemption
5 identification number by the Department under Section 1g of
6 the Retailers' Occupation Tax Act. If the equipment is leased
7 in a manner that does not qualify for this exemption or is
8 used in any other non-exempt manner, the lessor shall be
9 liable for the tax imposed under this Act or the Use Tax Act,
10 as the case may be, based on the fair market value of the
11 property at the time the non-qualifying use occurs. No
12 lessor shall collect or attempt to collect an amount (however
13 designated) that purports to reimburse that lessor for the
14 tax imposed by this Act or the Use Tax Act, as the case may
15 be, if the tax has not been paid by the lessor. If a lessor
16 improperly collects any such amount from the lessee, the
17 lessee shall have a legal right to claim a refund of that
18 amount from the lessor. If, however, that amount is not
19 refunded to the lessee for any reason, the lessor is liable
20 to pay that amount to the Department.

21 (16) Personal property purchased by a lessor who leases
22 the property, under a lease of one year or longer executed or
23 in effect at the time the lessor would otherwise be subject
24 to the tax imposed by this Act, to a governmental body that
25 has been issued an active tax exemption identification number
26 by the Department under Section 1g of the Retailers'
27 Occupation Tax Act. If the property is leased in a manner
28 that does not qualify for this exemption or is used in any
29 other non-exempt manner, the lessor shall be liable for the
30 tax imposed under this Act or the Use Tax Act, as the case
31 may be, based on the fair market value of the property at the
32 time the non-qualifying use occurs. No lessor shall collect
33 or attempt to collect an amount (however designated) that
34 purports to reimburse that lessor for the tax imposed by this

1 Act or the Use Tax Act, as the case may be, if the tax has
2 not been paid by the lessor. If a lessor improperly collects
3 any such amount from the lessee, the lessee shall have a
4 legal right to claim a refund of that amount from the lessor.
5 If, however, that amount is not refunded to the lessee for
6 any reason, the lessor is liable to pay that amount to the
7 Department.

8 (17) Beginning with taxable years ending on or after
9 December 31, 1995 and ending with taxable years ending on or
10 before December 31, 2004, personal property that is donated
11 for disaster relief to be used in a State or federally
12 declared disaster area in Illinois or bordering Illinois by a
13 manufacturer or retailer that is registered in this State to
14 a corporation, society, association, foundation, or
15 institution that has been issued a sales tax exemption
16 identification number by the Department that assists victims
17 of the disaster who reside within the declared disaster area.

18 (18) Beginning with taxable years ending on or after
19 December 31, 1995 and ending with taxable years ending on or
20 before December 31, 2004, personal property that is used in
21 the performance of infrastructure repairs in this State,
22 including but not limited to municipal roads and streets,
23 access roads, bridges, sidewalks, waste disposal systems,
24 water and sewer line extensions, water distribution and
25 purification facilities, storm water drainage and retention
26 facilities, and sewage treatment facilities, resulting from a
27 State or federally declared disaster in Illinois or bordering
28 Illinois when such repairs are initiated on facilities
29 located in the declared disaster area within 6 months after
30 the disaster.

31 (19) Beginning July 1, 1999, game or game birds
32 purchased at a "game breeding and hunting preserve area" or
33 an "exotic game hunting area" as those terms are used in the
34 Wildlife Code or at a hunting enclosure approved through

1 rules adopted by the Department of Natural Resources. This
2 paragraph is exempt from the provisions of Section 3-75.

3 (20) A motor vehicle, as that term is defined in Section
4 1-146 of the Illinois Vehicle Code, that is donated to a
5 corporation, limited liability company, society, association,
6 foundation, or institution that is determined by the
7 Department to be organized and operated exclusively for
8 educational purposes. For purposes of this exemption, "a
9 corporation, limited liability company, society, association,
10 foundation, or institution organized and operated exclusively
11 for educational purposes" means all tax-supported public
12 schools, private schools that offer systematic instruction in
13 useful branches of learning by methods common to public
14 schools and that compare favorably in their scope and
15 intensity with the course of study presented in tax-supported
16 schools, and vocational or technical schools or institutes
17 organized and operated exclusively to provide a course of
18 study of not less than 6 weeks duration and designed to
19 prepare individuals to follow a trade or to pursue a manual,
20 technical, mechanical, industrial, business, or commercial
21 occupation.

22 (21) Beginning January 1, 2000 and through June 30,
23 2005, personal property, including food, purchased through
24 fundraising events for the benefit of a public or private
25 elementary or secondary school, a group of those schools, or
26 one or more school districts if the events are sponsored by
27 an entity recognized by the school district that consists
28 primarily of volunteers and includes parents and teachers of
29 the school children. This paragraph does not apply to
30 fundraising events (i) for the benefit of private home
31 instruction or (ii) for which the fundraising entity
32 purchases the personal property sold at the events from
33 another individual or entity that sold the property for the
34 purpose of resale by the fundraising entity and that profits

1 from the sale to the fundraising entity. ~~This--paragraph--is~~
2 ~~exempt-from-the-provisions-of-Section-3-75-~~

3 (22) Beginning January 1, 2000 and through December 31,
4 2001, new or used automatic vending machines that prepare and
5 serve hot food and beverages, including coffee, soup, and
6 other items, and replacement parts for these machines.
7 Beginning January 1, 2002 and through June 30, 2005, machines
8 and parts for machines used in commercial, coin-operated
9 amusement and vending business if a use or occupation tax is
10 paid on the gross receipts derived from the use of the
11 commercial, coin-operated amusement and vending machines.
12 ~~This-paragraph-is-exempt-from-the-provisions-of-Section-3-75-~~

13 (23) Food for human consumption that is to be consumed
14 off the premises where it is sold (other than alcoholic
15 beverages, soft drinks, and food that has been prepared for
16 immediate consumption) and prescription and nonprescription
17 medicines, drugs, medical appliances, and insulin, urine
18 testing materials, syringes, and needles used by diabetics,
19 for human use, when purchased for use by a person receiving
20 medical assistance under Article 5 of the Illinois Public Aid
21 Code who resides in a licensed long-term care facility, as
22 defined in the Nursing Home Care Act.

23 (24) Beginning on the effective date of this
24 amendatory Act of the 92nd General Assembly and through June
25 30, 2005, computers and communications equipment utilized for
26 any hospital purpose and equipment used in the diagnosis,
27 analysis, or treatment of hospital patients purchased by a
28 lessor who leases the equipment, under a lease of one year or
29 longer executed or in effect at the time the lessor would
30 otherwise be subject to the tax imposed by this Act, to a
31 hospital that has been issued an active tax exemption
32 identification number by the Department under Section 1g of
33 the Retailers' Occupation Tax Act. If the equipment is
34 leased in a manner that does not qualify for this exemption

1 or is used in any other nonexempt manner, the lessor shall be
2 liable for the tax imposed under this Act or the Use Tax Act,
3 as the case may be, based on the fair market value of the
4 property at the time the nonqualifying use occurs. No lessor
5 shall collect or attempt to collect an amount (however
6 designated) that purports to reimburse that lessor for the
7 tax imposed by this Act or the Use Tax Act, as the case may
8 be, if the tax has not been paid by the lessor. If a lessor
9 improperly collects any such amount from the lessee, the
10 lessee shall have a legal right to claim a refund of that
11 amount from the lessor. If, however, that amount is not
12 refunded to the lessee for any reason, the lessor is liable
13 to pay that amount to the Department. This paragraph is
14 exempt from the provisions of Section 3-75.

15 (25) Beginning on the effective date of this amendatory
16 Act of the 92nd General Assembly and through June 30, 2005,
17 personal property purchased by a lessor who leases the
18 property, under a lease of one year or longer executed or in
19 effect at the time the lessor would otherwise be subject to
20 the tax imposed by this Act, to a governmental body that has
21 been issued an active tax exemption identification number by
22 the Department under Section 1g of the Retailers' Occupation
23 Tax Act. If the property is leased in a manner that does not
24 qualify for this exemption or is used in any other nonexempt
25 manner, the lessor shall be liable for the tax imposed under
26 this Act or the Use Tax Act, as the case may be, based on the
27 fair market value of the property at the time the
28 nonqualifying use occurs. No lessor shall collect or attempt
29 to collect an amount (however designated) that purports to
30 reimburse that lessor for the tax imposed by this Act or the
31 Use Tax Act, as the case may be, if the tax has not been paid
32 by the lessor. If a lessor improperly collects any such
33 amount from the lessee, the lessee shall have a legal right
34 to claim a refund of that amount from the lessor. If,

1 however, that amount is not refunded to the lessee for any
2 reason, the lessor is liable to pay that amount to the
3 Department. ~~This paragraph is exempt from the provisions of~~
4 ~~Section 3-75.~~

5 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;
6 91-439, eff. 8-6-99; 91-637, eff. 8-20-99; 91-644, eff.
7 8-20-99; 92-16, eff. 6-28-01; 92-35, eff. 7-1-01; 92-227,
8 eff. 8-2-01; 92-337, eff. 8-10-01; 92-484, eff. 8-23-01;
9 92-651, eff. 7-11-02.)

10 (35 ILCS 110/3-45) (from Ch. 120, par. 439.33-45)

11 Sec. 3-45. Multistate exemption. The tax imposed by
12 this Act does not apply to the use of tangible personal
13 property in this State under the following circumstances:

14 (a) The use, in this State, of property acquired outside
15 this State by a nonresident individual and brought into this
16 State by the individual for his or her own use while
17 temporarily within this State or while passing through this
18 State.

19 (b) The use, in this State, of property that is acquired
20 outside this State and that is moved into this State for use
21 as rolling stock moving in interstate commerce.

22 (c) The use, in this State, of property that is acquired
23 outside this State and caused to be brought into this State
24 by a person who has already paid a tax in another state in
25 respect to the sale, purchase, or use of that property, to
26 the extent of the amount of the tax properly due and paid in
27 the other state.

28 (d) The temporary storage, in this State, of property
29 that is acquired outside this State and that after being
30 brought into this State and stored here temporarily, is used
31 solely outside this State or is physically attached to or
32 incorporated into other property that is used solely outside
33 this State, or is altered by converting, fabricating,

1 manufacturing, printing, processing, or shaping, and, as
2 altered, is used solely outside this State.

3 (e) Beginning July 1, 1999, the use, in this State, of
4 fuel acquired outside this State and brought into this State
5 in the fuel supply tanks of locomotives engaged in freight
6 hauling and passenger service for interstate commerce. This
7 subsection is exempt from the provisions of Section 3-75.

8 (f) Beginning on January 1, 2002 and through June 30,
9 2005, the use of tangible personal property purchased from an
10 Illinois retailer by a taxpayer engaged in centralized
11 purchasing activities in Illinois who will, upon receipt of
12 the property in Illinois, temporarily store the property in
13 Illinois (i) for the purpose of subsequently transporting it
14 outside this State for use or consumption thereafter solely
15 outside this State or (ii) for the purpose of being
16 processed, fabricated, or manufactured into, attached to, or
17 incorporated into other tangible personal property to be
18 transported outside this State and thereafter used or
19 consumed solely outside this State. The Director of Revenue
20 shall, pursuant to rules adopted in accordance with the
21 Illinois Administrative Procedure Act, issue a permit to any
22 taxpayer in good standing with the Department who is eligible
23 for the exemption under this subsection (f). The permit
24 issued under this subsection (f) shall authorize the holder,
25 to the extent and in the manner specified in the rules
26 adopted under this Act, to purchase tangible personal
27 property from a retailer exempt from the taxes imposed by
28 this Act. Taxpayers shall maintain all necessary books and
29 records to substantiate the use and consumption of all such
30 tangible personal property outside of the State of Illinois.

31 (Source: P.A. 91-51, eff. 6-30-99; 91-313, eff. 7-29-99;
32 91-587, eff. 8-14-99; 92-16, eff. 6-28-01; 92-488, eff.
33 8-23-01.)

1 Section 20. The Service Occupation Tax Act is amended by
2 changing Section 3-5 as follows:

3 (35 ILCS 115/3-5) (from Ch. 120, par. 439.103-5)

4 Sec. 3-5. Exemptions. The following tangible personal
5 property is exempt from the tax imposed by this Act:

6 (1) Personal property sold by a corporation, society,
7 association, foundation, institution, or organization, other
8 than a limited liability company, that is organized and
9 operated as a not-for-profit service enterprise for the
10 benefit of persons 65 years of age or older if the personal
11 property was not purchased by the enterprise for the purpose
12 of resale by the enterprise.

13 (2) Personal property purchased by a not-for-profit
14 Illinois county fair association for use in conducting,
15 operating, or promoting the county fair.

16 (3) Personal property purchased by any not-for-profit
17 arts or cultural organization that establishes, by proof
18 required by the Department by rule, that it has received an
19 exemption under Section 501(c)(3) of the Internal Revenue
20 Code and that is organized and operated primarily for the
21 presentation or support of arts or cultural programming,
22 activities, or services. These organizations include, but
23 are not limited to, music and dramatic arts organizations
24 such as symphony orchestras and theatrical groups, arts and
25 cultural service organizations, local arts councils, visual
26 arts organizations, and media arts organizations. On and
27 after the effective date of this amendatory Act of the 92nd
28 General Assembly, however, an entity otherwise eligible for
29 this exemption shall not make tax-free purchases unless it
30 has an active identification number issued by the Department.

31 (4) Legal tender, currency, medallions, or gold or
32 silver coinage issued by the State of Illinois, the
33 government of the United States of America, or the government

1 of any foreign country, and bullion.

2 (5) Graphic arts machinery and equipment, including
3 repair and replacement parts, both new and used, and
4 including that manufactured on special order or purchased for
5 lease, certified by the purchaser to be used primarily for
6 graphic arts production. Equipment includes chemicals or
7 chemicals acting as catalysts but only if the chemicals or
8 chemicals acting as catalysts effect a direct and immediate
9 change upon a graphic arts product.

10 (6) Personal property sold by a teacher-sponsored
11 student organization affiliated with an elementary or
12 secondary school located in Illinois.

13 (7) Farm machinery and equipment, both new and used,
14 including that manufactured on special order, certified by
15 the purchaser to be used primarily for production agriculture
16 or State or federal agricultural programs, including
17 individual replacement parts for the machinery and equipment,
18 including machinery and equipment purchased for lease, and
19 including implements of husbandry defined in Section 1-130 of
20 the Illinois Vehicle Code, farm machinery and agricultural
21 chemical and fertilizer spreaders, and nurse wagons required
22 to be registered under Section 3-809 of the Illinois Vehicle
23 Code, but excluding other motor vehicles required to be
24 registered under the Illinois Vehicle Code. Horticultural
25 polyhouses or hoop houses used for propagating, growing, or
26 overwintering plants shall be considered farm machinery and
27 equipment under this item (7). Agricultural chemical tender
28 tanks and dry boxes shall include units sold separately from
29 a motor vehicle required to be licensed and units sold
30 mounted on a motor vehicle required to be licensed if the
31 selling price of the tender is separately stated.

32 Farm machinery and equipment shall include precision
33 farming equipment that is installed or purchased to be
34 installed on farm machinery and equipment including, but not

1 limited to, tractors, harvesters, sprayers, planters,
2 seeders, or spreaders. Precision farming equipment includes,
3 but is not limited to, soil testing sensors, computers,
4 monitors, software, global positioning and mapping systems,
5 and other such equipment.

6 Farm machinery and equipment also includes computers,
7 sensors, software, and related equipment used primarily in
8 the computer-assisted operation of production agriculture
9 facilities, equipment, and activities such as, but not
10 limited to, the collection, monitoring, and correlation of
11 animal and crop data for the purpose of formulating animal
12 diets and agricultural chemicals. This item (7) is exempt
13 from the provisions of Section 3-55.

14 (8) Fuel and petroleum products sold to or used by an
15 air common carrier, certified by the carrier to be used for
16 consumption, shipment, or storage in the conduct of its
17 business as an air common carrier, for a flight destined for
18 or returning from a location or locations outside the United
19 States without regard to previous or subsequent domestic
20 stopovers.

21 (9) Proceeds of mandatory service charges separately
22 stated on customers' bills for the purchase and consumption
23 of food and beverages, to the extent that the proceeds of the
24 service charge are in fact turned over as tips or as a
25 substitute for tips to the employees who participate directly
26 in preparing, serving, hosting or cleaning up the food or
27 beverage function with respect to which the service charge is
28 imposed.

29 (10) Oil field exploration, drilling, and production
30 equipment, including (i) rigs and parts of rigs, rotary rigs,
31 cable tool rigs, and workover rigs, (ii) pipe and tubular
32 goods, including casing and drill strings, (iii) pumps and
33 pump-jack units, (iv) storage tanks and flow lines, (v) any
34 individual replacement part for oil field exploration,

1 drilling, and production equipment, and (vi) machinery and
2 equipment purchased for lease; but excluding motor vehicles
3 required to be registered under the Illinois Vehicle Code.

4 (11) Photoprocessing machinery and equipment, including
5 repair and replacement parts, both new and used, including
6 that manufactured on special order, certified by the
7 purchaser to be used primarily for photoprocessing, and
8 including photoprocessing machinery and equipment purchased
9 for lease.

10 (12) Coal exploration, mining, offhighway hauling,
11 processing, maintenance, and reclamation equipment, including
12 replacement parts and equipment, and including equipment
13 purchased for lease, but excluding motor vehicles required to
14 be registered under the Illinois Vehicle Code.

15 (13) Food for human consumption that is to be consumed
16 off the premises where it is sold (other than alcoholic
17 beverages, soft drinks and food that has been prepared for
18 immediate consumption) and prescription and non-prescription
19 medicines, drugs, medical appliances, and insulin, urine
20 testing materials, syringes, and needles used by diabetics,
21 for human use, when purchased for use by a person receiving
22 medical assistance under Article 5 of the Illinois Public Aid
23 Code who resides in a licensed long-term care facility, as
24 defined in the Nursing Home Care Act.

25 (14) Semen used for artificial insemination of livestock
26 for direct agricultural production.

27 (15) Horses, or interests in horses, registered with and
28 meeting the requirements of any of the Arabian Horse Club
29 Registry of America, Appaloosa Horse Club, American Quarter
30 Horse Association, United States Trotting Association, or
31 Jockey Club, as appropriate, used for purposes of breeding or
32 racing for prizes.

33 (16) Computers and communications equipment utilized for
34 any hospital purpose and equipment used in the diagnosis,

1 analysis, or treatment of hospital patients sold to a lessor
2 who leases the equipment, under a lease of one year or longer
3 executed or in effect at the time of the purchase, to a
4 hospital that has been issued an active tax exemption
5 identification number by the Department under Section 1g of
6 the Retailers' Occupation Tax Act.

7 (17) Personal property sold to a lessor who leases the
8 property, under a lease of one year or longer executed or in
9 effect at the time of the purchase, to a governmental body
10 that has been issued an active tax exemption identification
11 number by the Department under Section 1g of the Retailers'
12 Occupation Tax Act.

13 (18) Beginning with taxable years ending on or after
14 December 31, 1995 and ending with taxable years ending on or
15 before December 31, 2004, personal property that is donated
16 for disaster relief to be used in a State or federally
17 declared disaster area in Illinois or bordering Illinois by a
18 manufacturer or retailer that is registered in this State to
19 a corporation, society, association, foundation, or
20 institution that has been issued a sales tax exemption
21 identification number by the Department that assists victims
22 of the disaster who reside within the declared disaster area.

23 (19) Beginning with taxable years ending on or after
24 December 31, 1995 and ending with taxable years ending on or
25 before December 31, 2004, personal property that is used in
26 the performance of infrastructure repairs in this State,
27 including but not limited to municipal roads and streets,
28 access roads, bridges, sidewalks, waste disposal systems,
29 water and sewer line extensions, water distribution and
30 purification facilities, storm water drainage and retention
31 facilities, and sewage treatment facilities, resulting from a
32 State or federally declared disaster in Illinois or bordering
33 Illinois when such repairs are initiated on facilities
34 located in the declared disaster area within 6 months after

1 the disaster.

2 (20) Beginning July 1, 1999, game or game birds sold at
3 a "game breeding and hunting preserve area" or an "exotic
4 game hunting area" as those terms are used in the Wildlife
5 Code or at a hunting enclosure approved through rules adopted
6 by the Department of Natural Resources. This paragraph is
7 exempt from the provisions of Section 3-55.

8 (21) A motor vehicle, as that term is defined in Section
9 1-146 of the Illinois Vehicle Code, that is donated to a
10 corporation, limited liability company, society, association,
11 foundation, or institution that is determined by the
12 Department to be organized and operated exclusively for
13 educational purposes. For purposes of this exemption, "a
14 corporation, limited liability company, society, association,
15 foundation, or institution organized and operated exclusively
16 for educational purposes" means all tax-supported public
17 schools, private schools that offer systematic instruction in
18 useful branches of learning by methods common to public
19 schools and that compare favorably in their scope and
20 intensity with the course of study presented in tax-supported
21 schools, and vocational or technical schools or institutes
22 organized and operated exclusively to provide a course of
23 study of not less than 6 weeks duration and designed to
24 prepare individuals to follow a trade or to pursue a manual,
25 technical, mechanical, industrial, business, or commercial
26 occupation.

27 (22) Beginning January 1, 2000 and through June 30,
28 2005, personal property, including food, purchased through
29 fundraising events for the benefit of a public or private
30 elementary or secondary school, a group of those schools, or
31 one or more school districts if the events are sponsored by
32 an entity recognized by the school district that consists
33 primarily of volunteers and includes parents and teachers of
34 the school children. This paragraph does not apply to

1 fundraising events (i) for the benefit of private home
2 instruction or (ii) for which the fundraising entity
3 purchases the personal property sold at the events from
4 another individual or entity that sold the property for the
5 purpose of resale by the fundraising entity and that profits
6 from the sale to the fundraising entity. ~~This paragraph is
7 exempt from the provisions of Section 3-55.~~

8 (23) Beginning January 1, 2000 and through December 31,
9 2001, new or used automatic vending machines that prepare and
10 serve hot food and beverages, including coffee, soup, and
11 other items, and replacement parts for these machines.
12 Beginning January 1, 2002 and through June 30, 2005, machines
13 and parts for machines used in commercial, coin-operated
14 amusement and vending business if a use or occupation tax is
15 paid on the gross receipts derived from the use of the
16 commercial, coin-operated amusement and vending machines.
17 ~~This paragraph is exempt from the provisions of Section 3-55.~~

18 (24) Beginning on the effective date of this amendatory
19 Act of the 92nd General Assembly and through June 30, 2005,
20 computers and communications equipment utilized for any
21 hospital purpose and equipment used in the diagnosis,
22 analysis, or treatment of hospital patients sold to a lessor
23 who leases the equipment, under a lease of one year or longer
24 executed or in effect at the time of the purchase, to a
25 hospital that has been issued an active tax exemption
26 identification number by the Department under Section 1g of
27 the Retailers' Occupation Tax Act. ~~This paragraph is exempt
28 from the provisions of Section 3-55.~~

29 (25) Beginning on the effective date of this amendatory
30 Act of the 92nd General Assembly and through June 30, 2005,
31 personal property sold to a lessor who leases the property,
32 under a lease of one year or longer executed or in effect at
33 the time of the purchase, to a governmental body that has
34 been issued an active tax exemption identification number by

1 the Department under Section 1g of the Retailers' Occupation
2 Tax Act. ~~This paragraph is exempt from the provisions of~~
3 ~~Section 3-55.~~

4 (26) Beginning on January 1, 2002 and through June 30,
5 2005, tangible personal property purchased from an Illinois
6 retailer by a taxpayer engaged in centralized purchasing
7 activities in Illinois who will, upon receipt of the property
8 in Illinois, temporarily store the property in Illinois (i)
9 for the purpose of subsequently transporting it outside this
10 State for use or consumption thereafter solely outside this
11 State or (ii) for the purpose of being processed, fabricated,
12 or manufactured into, attached to, or incorporated into other
13 tangible personal property to be transported outside this
14 State and thereafter used or consumed solely outside this
15 State. The Director of Revenue shall, pursuant to rules
16 adopted in accordance with the Illinois Administrative
17 Procedure Act, issue a permit to any taxpayer in good
18 standing with the Department who is eligible for the
19 exemption under this paragraph (26). The permit issued under
20 this paragraph (26) shall authorize the holder, to the extent
21 and in the manner specified in the rules adopted under this
22 Act, to purchase tangible personal property from a retailer
23 exempt from the taxes imposed by this Act. Taxpayers shall
24 maintain all necessary books and records to substantiate the
25 use and consumption of all such tangible personal property
26 outside of the State of Illinois.

27 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;
28 91-439, eff. 8-6-99; 91-533, eff. 8-13-99; 91-637, eff.
29 8-20-99; 91-644, eff. 8-20-99; 92-16, eff. 6-28-01; 92-35,
30 eff. 7-1-01; 92-227, eff. 8-2-01; 92-337, eff. 8-10-01;
31 92-484, eff. 8-23-01; 92-488, eff. 8-23-01; 92-651, eff.
32 7-11-02.)

33 Section 25. The Retailers' Occupation Tax Act is amended

1 by changing Section 2-5 as follows:

2 (35 ILCS 120/2-5) (from Ch. 120, par. 441-5)

3 Sec. 2-5. Exemptions. Gross receipts from proceeds from
4 the sale of the following tangible personal property are
5 exempt from the tax imposed by this Act:

6 (1) Farm chemicals.

7 (2) Farm machinery and equipment, both new and used,
8 including that manufactured on special order, certified by
9 the purchaser to be used primarily for production agriculture
10 or State or federal agricultural programs, including
11 individual replacement parts for the machinery and equipment,
12 including machinery and equipment purchased for lease, and
13 including implements of husbandry defined in Section 1-130 of
14 the Illinois Vehicle Code, farm machinery and agricultural
15 chemical and fertilizer spreaders, and nurse wagons required
16 to be registered under Section 3-809 of the Illinois Vehicle
17 Code, but excluding other motor vehicles required to be
18 registered under the Illinois Vehicle Code. Horticultural
19 polyhouses or hoop houses used for propagating, growing, or
20 overwintering plants shall be considered farm machinery and
21 equipment under this item (2). Agricultural chemical tender
22 tanks and dry boxes shall include units sold separately from
23 a motor vehicle required to be licensed and units sold
24 mounted on a motor vehicle required to be licensed, if the
25 selling price of the tender is separately stated.

26 Farm machinery and equipment shall include precision
27 farming equipment that is installed or purchased to be
28 installed on farm machinery and equipment including, but not
29 limited to, tractors, harvesters, sprayers, planters,
30 seeders, or spreaders. Precision farming equipment includes,
31 but is not limited to, soil testing sensors, computers,
32 monitors, software, global positioning and mapping systems,
33 and other such equipment.

1 Farm machinery and equipment also includes computers,
2 sensors, software, and related equipment used primarily in
3 the computer-assisted operation of production agriculture
4 facilities, equipment, and activities such as, but not
5 limited to, the collection, monitoring, and correlation of
6 animal and crop data for the purpose of formulating animal
7 diets and agricultural chemicals. This item (7) is exempt
8 from the provisions of Section 2-70.

9 (3) Distillation machinery and equipment, sold as a unit
10 or kit, assembled or installed by the retailer, certified by
11 the user to be used only for the production of ethyl alcohol
12 that will be used for consumption as motor fuel or as a
13 component of motor fuel for the personal use of the user, and
14 not subject to sale or resale.

15 (4) Graphic arts machinery and equipment, including
16 repair and replacement parts, both new and used, and
17 including that manufactured on special order or purchased for
18 lease, certified by the purchaser to be used primarily for
19 graphic arts production. Equipment includes chemicals or
20 chemicals acting as catalysts but only if the chemicals or
21 chemicals acting as catalysts effect a direct and immediate
22 change upon a graphic arts product.

23 (5) A motor vehicle of the first division, a motor
24 vehicle of the second division that is a self-contained motor
25 vehicle designed or permanently converted to provide living
26 quarters for recreational, camping, or travel use, with
27 direct walk through access to the living quarters from the
28 driver's seat, or a motor vehicle of the second division that
29 is of the van configuration designed for the transportation
30 of not less than 7 nor more than 16 passengers, as defined in
31 Section 1-146 of the Illinois Vehicle Code, that is used for
32 automobile renting, as defined in the Automobile Renting
33 Occupation and Use Tax Act.

34 (6) Personal property sold by a teacher-sponsored

1 student organization affiliated with an elementary or
2 secondary school located in Illinois.

3 (7) Proceeds of that portion of the selling price of a
4 passenger car the sale of which is subject to the Replacement
5 Vehicle Tax.

6 (8) Personal property sold to an Illinois county fair
7 association for use in conducting, operating, or promoting
8 the county fair.

9 (9) Personal property sold to a not-for-profit arts or
10 cultural organization that establishes, by proof required by
11 the Department by rule, that it has received an exemption
12 under Section 501(c)(3) of the Internal Revenue Code and that
13 is organized and operated primarily for the presentation or
14 support of arts or cultural programming, activities, or
15 services. These organizations include, but are not limited
16 to, music and dramatic arts organizations such as symphony
17 orchestras and theatrical groups, arts and cultural service
18 organizations, local arts councils, visual arts
19 organizations, and media arts organizations. On and after the
20 effective date of this amendatory Act of the 92nd General
21 Assembly, however, an entity otherwise eligible for this
22 exemption shall not make tax-free purchases unless it has an
23 active identification number issued by the Department.

24 (10) Personal property sold by a corporation, society,
25 association, foundation, institution, or organization, other
26 than a limited liability company, that is organized and
27 operated as a not-for-profit service enterprise for the
28 benefit of persons 65 years of age or older if the personal
29 property was not purchased by the enterprise for the purpose
30 of resale by the enterprise.

31 (11) Personal property sold to a governmental body, to a
32 corporation, society, association, foundation, or institution
33 organized and operated exclusively for charitable, religious,
34 or educational purposes, or to a not-for-profit corporation,

1 society, association, foundation, institution, or
2 organization that has no compensated officers or employees
3 and that is organized and operated primarily for the
4 recreation of persons 55 years of age or older. A limited
5 liability company may qualify for the exemption under this
6 paragraph only if the limited liability company is organized
7 and operated exclusively for educational purposes. On and
8 after July 1, 1987, however, no entity otherwise eligible for
9 this exemption shall make tax-free purchases unless it has an
10 active identification number issued by the Department.

11 (12) Personal property sold to interstate carriers for
12 hire for use as rolling stock moving in interstate commerce
13 or to lessors under leases of one year or longer executed or
14 in effect at the time of purchase by interstate carriers for
15 hire for use as rolling stock moving in interstate commerce
16 and equipment operated by a telecommunications provider,
17 licensed as a common carrier by the Federal Communications
18 Commission, which is permanently installed in or affixed to
19 aircraft moving in interstate commerce.

20 (13) Proceeds from sales to owners, lessors, or shippers
21 of tangible personal property that is utilized by interstate
22 carriers for hire for use as rolling stock moving in
23 interstate commerce and equipment operated by a
24 telecommunications provider, licensed as a common carrier by
25 the Federal Communications Commission, which is permanently
26 installed in or affixed to aircraft moving in interstate
27 commerce.

28 (14) Machinery and equipment that will be used by the
29 purchaser, or a lessee of the purchaser, primarily in the
30 process of manufacturing or assembling tangible personal
31 property for wholesale or retail sale or lease, whether the
32 sale or lease is made directly by the manufacturer or by some
33 other person, whether the materials used in the process are
34 owned by the manufacturer or some other person, or whether

1 the sale or lease is made apart from or as an incident to the
2 seller's engaging in the service occupation of producing
3 machines, tools, dies, jigs, patterns, gauges, or other
4 similar items of no commercial value on special order for a
5 particular purchaser.

6 (15) Proceeds of mandatory service charges separately
7 stated on customers' bills for purchase and consumption of
8 food and beverages, to the extent that the proceeds of the
9 service charge are in fact turned over as tips or as a
10 substitute for tips to the employees who participate directly
11 in preparing, serving, hosting or cleaning up the food or
12 beverage function with respect to which the service charge is
13 imposed.

14 (16) Petroleum products sold to a purchaser if the
15 seller is prohibited by federal law from charging tax to the
16 purchaser.

17 (17) Tangible personal property sold to a common carrier
18 by rail or motor that receives the physical possession of the
19 property in Illinois and that transports the property, or
20 shares with another common carrier in the transportation of
21 the property, out of Illinois on a standard uniform bill of
22 lading showing the seller of the property as the shipper or
23 consignor of the property to a destination outside Illinois,
24 for use outside Illinois.

25 (18) Legal tender, currency, medallions, or gold or
26 silver coinage issued by the State of Illinois, the
27 government of the United States of America, or the government
28 of any foreign country, and bullion.

29 (19) Oil field exploration, drilling, and production
30 equipment, including (i) rigs and parts of rigs, rotary rigs,
31 cable tool rigs, and workover rigs, (ii) pipe and tubular
32 goods, including casing and drill strings, (iii) pumps and
33 pump-jack units, (iv) storage tanks and flow lines, (v) any
34 individual replacement part for oil field exploration,

1 drilling, and production equipment, and (vi) machinery and
2 equipment purchased for lease; but excluding motor vehicles
3 required to be registered under the Illinois Vehicle Code.

4 (20) Photoprocessing machinery and equipment, including
5 repair and replacement parts, both new and used, including
6 that manufactured on special order, certified by the
7 purchaser to be used primarily for photoprocessing, and
8 including photoprocessing machinery and equipment purchased
9 for lease.

10 (21) Coal exploration, mining, offhighway hauling,
11 processing, maintenance, and reclamation equipment, including
12 replacement parts and equipment, and including equipment
13 purchased for lease, but excluding motor vehicles required to
14 be registered under the Illinois Vehicle Code.

15 (22) Fuel and petroleum products sold to or used by an
16 air carrier, certified by the carrier to be used for
17 consumption, shipment, or storage in the conduct of its
18 business as an air common carrier, for a flight destined for
19 or returning from a location or locations outside the United
20 States without regard to previous or subsequent domestic
21 stopovers.

22 (23) A transaction in which the purchase order is
23 received by a florist who is located outside Illinois, but
24 who has a florist located in Illinois deliver the property to
25 the purchaser or the purchaser's donee in Illinois.

26 (24) Fuel consumed or used in the operation of ships,
27 barges, or vessels that are used primarily in or for the
28 transportation of property or the conveyance of persons for
29 hire on rivers bordering on this State if the fuel is
30 delivered by the seller to the purchaser's barge, ship, or
31 vessel while it is afloat upon that bordering river.

32 (25) A motor vehicle sold in this State to a nonresident
33 even though the motor vehicle is delivered to the nonresident
34 in this State, if the motor vehicle is not to be titled in

1 this State, and if a drive-away permit is issued to the motor
2 vehicle as provided in Section 3-603 of the Illinois Vehicle
3 Code or if the nonresident purchaser has vehicle registration
4 plates to transfer to the motor vehicle upon returning to his
5 or her home state. The issuance of the drive-away permit or
6 having the out-of-state registration plates to be transferred
7 is prima facie evidence that the motor vehicle will not be
8 titled in this State.

9 (26) Semen used for artificial insemination of livestock
10 for direct agricultural production.

11 (27) Horses, or interests in horses, registered with and
12 meeting the requirements of any of the Arabian Horse Club
13 Registry of America, Appaloosa Horse Club, American Quarter
14 Horse Association, United States Trotting Association, or
15 Jockey Club, as appropriate, used for purposes of breeding or
16 racing for prizes.

17 (28) Computers and communications equipment utilized for
18 any hospital purpose and equipment used in the diagnosis,
19 analysis, or treatment of hospital patients sold to a lessor
20 who leases the equipment, under a lease of one year or longer
21 executed or in effect at the time of the purchase, to a
22 hospital that has been issued an active tax exemption
23 identification number by the Department under Section 1g of
24 this Act.

25 (29) Personal property sold to a lessor who leases the
26 property, under a lease of one year or longer executed or in
27 effect at the time of the purchase, to a governmental body
28 that has been issued an active tax exemption identification
29 number by the Department under Section 1g of this Act.

30 (30) Beginning with taxable years ending on or after
31 December 31, 1995 and ending with taxable years ending on or
32 before December 31, 2004, personal property that is donated
33 for disaster relief to be used in a State or federally
34 declared disaster area in Illinois or bordering Illinois by a

1 manufacturer or retailer that is registered in this State to
2 a corporation, society, association, foundation, or
3 institution that has been issued a sales tax exemption
4 identification number by the Department that assists victims
5 of the disaster who reside within the declared disaster area.

6 (31) Beginning with taxable years ending on or after
7 December 31, 1995 and ending with taxable years ending on or
8 before December 31, 2004, personal property that is used in
9 the performance of infrastructure repairs in this State,
10 including but not limited to municipal roads and streets,
11 access roads, bridges, sidewalks, waste disposal systems,
12 water and sewer line extensions, water distribution and
13 purification facilities, storm water drainage and retention
14 facilities, and sewage treatment facilities, resulting from a
15 State or federally declared disaster in Illinois or bordering
16 Illinois when such repairs are initiated on facilities
17 located in the declared disaster area within 6 months after
18 the disaster.

19 (32) Beginning July 1, 1999, game or game birds sold at
20 a "game breeding and hunting preserve area" or an "exotic
21 game hunting area" as those terms are used in the Wildlife
22 Code or at a hunting enclosure approved through rules adopted
23 by the Department of Natural Resources. This paragraph is
24 exempt from the provisions of Section 2-70.

25 (33) A motor vehicle, as that term is defined in Section
26 1-146 of the Illinois Vehicle Code, that is donated to a
27 corporation, limited liability company, society, association,
28 foundation, or institution that is determined by the
29 Department to be organized and operated exclusively for
30 educational purposes. For purposes of this exemption, "a
31 corporation, limited liability company, society, association,
32 foundation, or institution organized and operated exclusively
33 for educational purposes" means all tax-supported public
34 schools, private schools that offer systematic instruction in

1 useful branches of learning by methods common to public
2 schools and that compare favorably in their scope and
3 intensity with the course of study presented in tax-supported
4 schools, and vocational or technical schools or institutes
5 organized and operated exclusively to provide a course of
6 study of not less than 6 weeks duration and designed to
7 prepare individuals to follow a trade or to pursue a manual,
8 technical, mechanical, industrial, business, or commercial
9 occupation.

10 (34) Beginning January 1, 2000 and through June 30,
11 2005, personal property, including food, purchased through
12 fundraising events for the benefit of a public or private
13 elementary or secondary school, a group of those schools, or
14 one or more school districts if the events are sponsored by
15 an entity recognized by the school district that consists
16 primarily of volunteers and includes parents and teachers of
17 the school children. This paragraph does not apply to
18 fundraising events (i) for the benefit of private home
19 instruction or (ii) for which the fundraising entity
20 purchases the personal property sold at the events from
21 another individual or entity that sold the property for the
22 purpose of resale by the fundraising entity and that profits
23 from the sale to the fundraising entity. ~~This--paragraph--is~~
24 ~~exempt-from-the-provisions-of-Section-2-70.~~

25 (35) Beginning January 1, 2000 and through December 31,
26 2001, new or used automatic vending machines that prepare and
27 serve hot food and beverages, including coffee, soup, and
28 other items, and replacement parts for these machines.
29 Beginning January 1, 2002 and through June 30, 2005, machines
30 and parts for machines used in commercial, coin-operated
31 amusement and vending business if a use or occupation tax is
32 paid on the gross receipts derived from the use of the
33 commercial, coin-operated amusement and vending machines.
34 ~~This-paragraph-is-exempt-from-the-provisions-of-Section-2-70.~~

1 (35-5) ~~(36)~~ Food for human consumption that is to be
 2 consumed off the premises where it is sold (other than
 3 alcoholic beverages, soft drinks, and food that has been
 4 prepared for immediate consumption) and prescription and
 5 nonprescription medicines, drugs, medical appliances, and
 6 insulin, urine testing materials, syringes, and needles used
 7 by diabetics, for human use, when purchased for use by a
 8 person receiving medical assistance under Article 5 of the
 9 Illinois Public Aid Code who resides in a licensed long-term
 10 care facility, as defined in the Nursing Home Care Act.

11 (36) Beginning August 2, 2001 and through June 30, 2005
 12 ~~en--the--effective--date--of--this--amendatory--Act--of--the--92nd~~
 13 ~~General--Assembly,~~ computers and communications equipment
 14 utilized for any hospital purpose and equipment used in the
 15 diagnosis, analysis, or treatment of hospital patients sold
 16 to a lessor who leases the equipment, under a lease of one
 17 year or longer executed or in effect at the time of the
 18 purchase, to a hospital that has been issued an active tax
 19 exemption identification number by the Department under
 20 Section 1g of this Act. ~~This-paragraph-is-exempt-from-the~~
 21 ~~provisions-of-Section-2-70-~~

22 (37) Beginning August 2, 2001 and through June 30, 2005
 23 ~~en--the--effective--date--of--this--amendatory--Act--of--the--92nd~~
 24 ~~General-Assembly,~~ personal property sold to a lessor who
 25 leases the property, under a lease of one year or longer
 26 executed or in effect at the time of the purchase, to a
 27 governmental body that has been issued an active tax
 28 exemption identification number by the Department under
 29 Section 1g of this Act. ~~This-paragraph-is--exempt--from--the~~
 30 ~~provisions-of-Section-2-70-~~

31 (38) Beginning on January 1, 2002 and through June 30,
 32 2005, tangible personal property purchased from an Illinois
 33 retailer by a taxpayer engaged in centralized purchasing
 34 activities in Illinois who will, upon receipt of the property

1 in Illinois, temporarily store the property in Illinois (i)
2 for the purpose of subsequently transporting it outside this
3 State for use or consumption thereafter solely outside this
4 State or (ii) for the purpose of being processed, fabricated,
5 or manufactured into, attached to, or incorporated into other
6 tangible personal property to be transported outside this
7 State and thereafter used or consumed solely outside this
8 State. The Director of Revenue shall, pursuant to rules
9 adopted in accordance with the Illinois Administrative
10 Procedure Act, issue a permit to any taxpayer in good
11 standing with the Department who is eligible for the
12 exemption under this paragraph (38). The permit issued under
13 this paragraph (38) shall authorize the holder, to the extent
14 and in the manner specified in the rules adopted under this
15 Act, to purchase tangible personal property from a retailer
16 exempt from the taxes imposed by this Act. Taxpayers shall
17 maintain all necessary books and records to substantiate the
18 use and consumption of all such tangible personal property
19 outside of the State of Illinois.

20 (Source: P.A. 91-51, eff. 6-30-99; 91-200, eff. 7-20-99;
21 91-439, eff. 8-6-99; 91-533, eff. 8-13-99; 91-637, eff.
22 8-20-99; 91-644, eff. 8-20-99; 92-16, eff. 6-28-01; 92-35,
23 eff. 7-1-01; 92-227, eff. 8-2-01; 92-337, eff. 8-10-01;
24 92-484, eff. 8-23-01; 92-488, eff. 8-23-01; 92-651, eff.
25 7-11-02; 92-680, eff. 7-16-02; revised 1-26-03.)

26 Section 30. The Liquor Control Act of 1934 is amended by
27 changing Section 8-2 as follows:

28 (235 ILCS 5/8-2) (from Ch. 43, par. 159)

29 Sec. 8-2. It is the duty of each manufacturer with
30 respect to alcoholic liquor produced or imported by such
31 manufacturer, or purchased tax-free by such manufacturer from
32 another manufacturer or importing distributor, and of each

1 importing distributor as to alcoholic liquor purchased by
 2 such importing distributor from foreign importers or from
 3 anyone from any point in the United States outside of this
 4 State or purchased tax-free from another manufacturer or
 5 importing distributor, to pay the tax imposed by Section 8-1
 6 to the Department of Revenue on or before the 15th day of the
 7 calendar month following the calendar month in which such
 8 alcoholic liquor is sold or used by such manufacturer or by
 9 such importing distributor other than in an authorized
 10 tax-free manner ~~or to pay that tax electronically as provided~~
 11 ~~in this Section.~~

12 Each manufacturer and each importing distributor shall,
 13 ~~make payment under one of the following methods:--(1) on or~~
 14 ~~before the 15th day of each calendar month, file in person or~~
 15 ~~by United States first-class mail, postage pre-paid, with the~~
 16 Department of Revenue, on forms prescribed and furnished by
 17 the Department, a report in writing in such form as may be
 18 required by the Department in order to compute, and assure
 19 the accuracy of, the tax due on all taxable sales and uses of
 20 alcoholic liquor occurring during the preceding month.
 21 Payment of the tax in the amount disclosed by the report
 22 shall accompany the report ~~or,--(2) on or before the 15th--day~~
 23 ~~of--each--calendar--month,--electronically--file--with--the~~
 24 ~~Department of Revenue, on forms prescribed and--furnished--by~~
 25 ~~the--Department,--an electronic report in such form as may be~~
 26 ~~required by the Department in order to--compute,--and--assure~~
 27 ~~the accuracy of, the tax due on all taxable sales and uses of~~
 28 ~~alcoholic--liquor--occurring--during--the--preceding--month,--An~~
 29 ~~electronic payment of the tax in the amount disclosed by--the~~
 30 ~~report--shall--accompany--the--report,--A--manufacturer--or~~
 31 ~~distributor who files an electronic report and electronically~~
 32 ~~pays--the--tax--imposed--pursuant--to--Section--8-1--to--the~~
 33 ~~Department--of--Revenue--on--or--before--the--15th--day--of--the~~
 34 ~~calendar month following the calendar--month--in--which--such~~

1 alcoholic liquor is sold or used by that manufacturer or
2 importing distributor other than in an authorized tax-free
3 manner shall pay to the Department the amount of the tax
4 imposed pursuant to Section 8-17, less a discount of 1.75% or
5 \$1,250 per return, whichever is less, which is allowed to
6 reimburse the manufacturer or importing distributor for the
7 expenses incurred in keeping and maintaining records,
8 preparing and filing the electronic returns, remitting the
9 tax, and supplying data to the Department upon request.

10 The Department may, if it deems it necessary in order to
11 insure the payment of the tax imposed by this Article,
12 require returns to be made more frequently than and covering
13 periods of less than a month. Such return shall contain such
14 further information as the Department may reasonably require.

15 It shall be presumed that all alcoholic liquors acquired
16 or made by any importing distributor or manufacturer have
17 been sold or used by him in this State and are the basis for
18 the tax imposed by this Article unless proven, to the
19 satisfaction of the Department, that such alcoholic liquors
20 are (1) still in the possession of such importing distributor
21 or manufacturer, or (2) prior to the termination of
22 possession have been lost by theft or through unintentional
23 destruction, or (3) that such alcoholic liquors are otherwise
24 exempt from taxation under this Act.

25 The Department may require any foreign importer to file
26 monthly information returns, by the 15th day of the month
27 following the month which any such return covers, if the
28 Department determines this to be necessary to the proper
29 performance of the Department's functions and duties under
30 this Act. Such return shall contain such information as the
31 Department may reasonably require.

32 Every manufacturer and importing distributor shall also
33 file, with the Department, a bond in an amount not less than
34 \$1,000 and not to exceed \$100,000 on a form to be approved

1 by, and with a surety or sureties satisfactory to, the
2 Department. Such bond shall be conditioned upon the
3 manufacturer or importing distributor paying to the
4 Department all monies becoming due from such manufacturer or
5 importing distributor under this Article. The Department
6 shall fix the penalty of such bond in each case, taking into
7 consideration the amount of alcoholic liquor expected to be
8 sold and used by such manufacturer or importing distributor,
9 and the penalty fixed by the Department shall be sufficient,
10 in the Department's opinion, to protect the State of Illinois
11 against failure to pay any amount due under this Article, but
12 the amount of the penalty fixed by the Department shall not
13 exceed twice the amount of tax liability of a monthly return,
14 nor shall the amount of such penalty be less than \$1,000. The
15 Department shall notify the Commission of the Department's
16 approval or disapproval of any such manufacturer's or
17 importing distributor's bond, or of the termination or
18 cancellation of any such bond, or of the Department's
19 direction to a manufacturer or importing distributor that he
20 must file additional bond in order to comply with this
21 Section. The Commission shall not issue a license to any
22 applicant for a manufacturer's or importing distributor's
23 license unless the Commission has received a notification
24 from the Department showing that such applicant has filed a
25 satisfactory bond with the Department hereunder and that such
26 bond has been approved by the Department. Failure by any
27 licensed manufacturer or importing distributor to keep a
28 satisfactory bond in effect with the Department or to furnish
29 additional bond to the Department, when required hereunder by
30 the Department to do so, shall be grounds for the revocation
31 or suspension of such manufacturer's or importing
32 distributor's license by the Commission. If a manufacturer or
33 importing distributor fails to pay any amount due under this
34 Article, his bond with the Department shall be deemed

1 forfeited, and the Department may institute a suit in its own
2 name on such bond.

3 After notice and opportunity for a hearing the State
4 Commission may revoke or suspend the license of any
5 manufacturer or importing distributor who fails to comply
6 with the provisions of this Section. Notice of such hearing
7 and the time and place thereof shall be in writing and shall
8 contain a statement of the charges against the licensee. Such
9 notice may be given by United States registered or certified
10 mail with return receipt requested, addressed to the person
11 concerned at his last known address and shall be given not
12 less than 7 days prior to the date fixed for the hearing. An
13 order revoking or suspending a license under the provisions
14 of this Section may be reviewed in the manner provided in
15 Section 7-10 of this Act. No new license shall be granted to
16 a person whose license has been revoked for a violation of
17 this Section or, in case of suspension, shall such suspension
18 be terminated until he has paid to the Department all taxes
19 and penalties which he owes the State under the provisions of
20 this Act.

21 Every manufacturer or importing distributor who has, as
22 verified by the Department, continuously complied with the
23 conditions of the bond under this Act for a period of 2 years
24 shall be considered to be a prior continuous compliance
25 taxpayer. In determining the consecutive period of time for
26 qualification as a prior continuous compliance taxpayer, any
27 consecutive period of time of qualifying compliance
28 immediately prior to the effective date of this amendatory
29 Act of 1987 shall be credited to any manufacturer or
30 importing distributor.

31 Every prior continuous compliance taxpayer shall be
32 exempt from the bond requirements of this Act until the
33 Department has determined the taxpayer to be delinquent in
34 the filing of any return or deficient in the payment of any

1 tax under this Act. Any taxpayer who fails to pay an
2 admitted or established liability under this Act may also be
3 required to post bond or other acceptable security with the
4 Department guaranteeing the payment of such admitted or
5 established liability.

6 The Department shall discharge any surety and shall
7 release and return any bond or security deposit assigned,
8 pledged or otherwise provided to it by a taxpayer under this
9 Section within 30 days after: (1) such taxpayer becomes a
10 prior continuous compliance taxpayer; or (2) such taxpayer
11 has ceased to collect receipts on which he is required to
12 remit tax to the Department, has filed a final tax return,
13 and has paid to the Department an amount sufficient to
14 discharge his remaining tax liability as determined by the
15 Department under this Act.

16 (Source: P.A. 92-393, eff. 1-1-03.)

17 Section 99. Effective date. This Act takes effect upon
18 becoming law, except that the changes made to Section 8-2 of
19 the Liquor Control Act of 1934 take effect on July 1, 2004.

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INDEX

Statutes amended in order of appearance

35 ILCS 5/201	from Ch. 120, par. 2-201
35 ILCS 5/211	
35 ILCS 105/3-5	from Ch. 120, par. 439.3-5
35 ILCS 105/3-55	from Ch. 120, par. 439.3-55
35 ILCS 110/3-5	from Ch. 120, par. 439.33-5
35 ILCS 110/3-45	from Ch. 120, par. 439.33-45
35 ILCS 115/3-5	from Ch. 120, par. 439.103-5
35 ILCS 120/2-5	from Ch. 120, par. 441-5
235 ILCS 5/8-2	from Ch. 43, par. 159